2019

ANNUAL REPORT AND FINANCIAL STATEMENTS

APA, Insuring Happiness

APA INSURANCE

www.apainsurance.org

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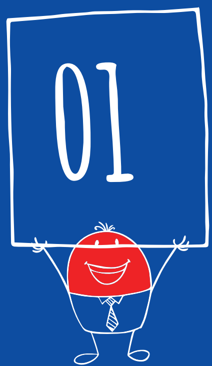

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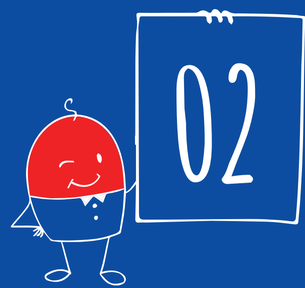

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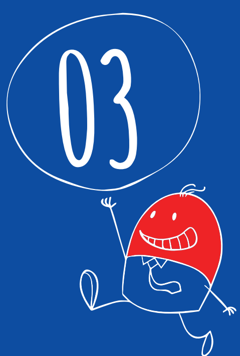

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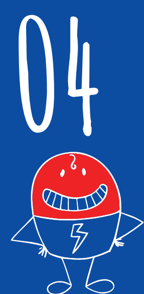


Financial Statements

COMPANY INFORMATION

BOARD OF DIRECTORS

D M Ndonye – Chairman

A K M Shah

S M Shah

R M Ashley*

R Schnarwiler**

P Shah*

M M'Mukindia

**British   **Swiss*

SECRETARY

P H Shah
Certified Secretary (Kenya)

SENIOR MANAGEMENT

V Bharatan - Chief Executive Officer

J Kigochi - Chief Finance Officer

P Khimasia - Chief Operating Officer

C Kamau - Director of Business Development

A Mabuka - Director of Business Development

M Naul - Director Operations

S Gichuhi - Head of Health Business Development

S Goswami - Head of Health Claims

L Kuria - Head of Care Team

C Ngala - Group Head of Internal Audit

J Nyakomitta - Group Chief Information Officer

M Simiyu - Group Head of Human Resources

B Otieno - Group Head of Risk

G Nganga - Group Head of Corporate Communications - Marketing

J Bogonko - Head of Customer Service

D Ogulla - Head of Claims and Legal

A Njoki - Reinsurance Manager

REGISTERED OFFICE

Apollo Centre, 07 Ring Road Parklands, Westlands

P O Box 30065-00100

Nairobi

PRINCIPAL BANKERS

NCBA Group Limited

P O Box 30437 - 00100

Nairobi

Standard Chartered Bank Kenya Limited

P O Box 30001 - 00100

Nairobi

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP

Certified Public Accountants (Kenya)

PwC Tower, Waiyaki Way/ Chiromo Road, Westlands

P.O. Box 43963 - 00100

Nairobi

APPOINTED ACTUARY

Zamara Actuaries, Administrators & Consultants Limited

Landmark Plaza, Argwings Kodhek Road

P O Box 52439 - 00200

Nairobi

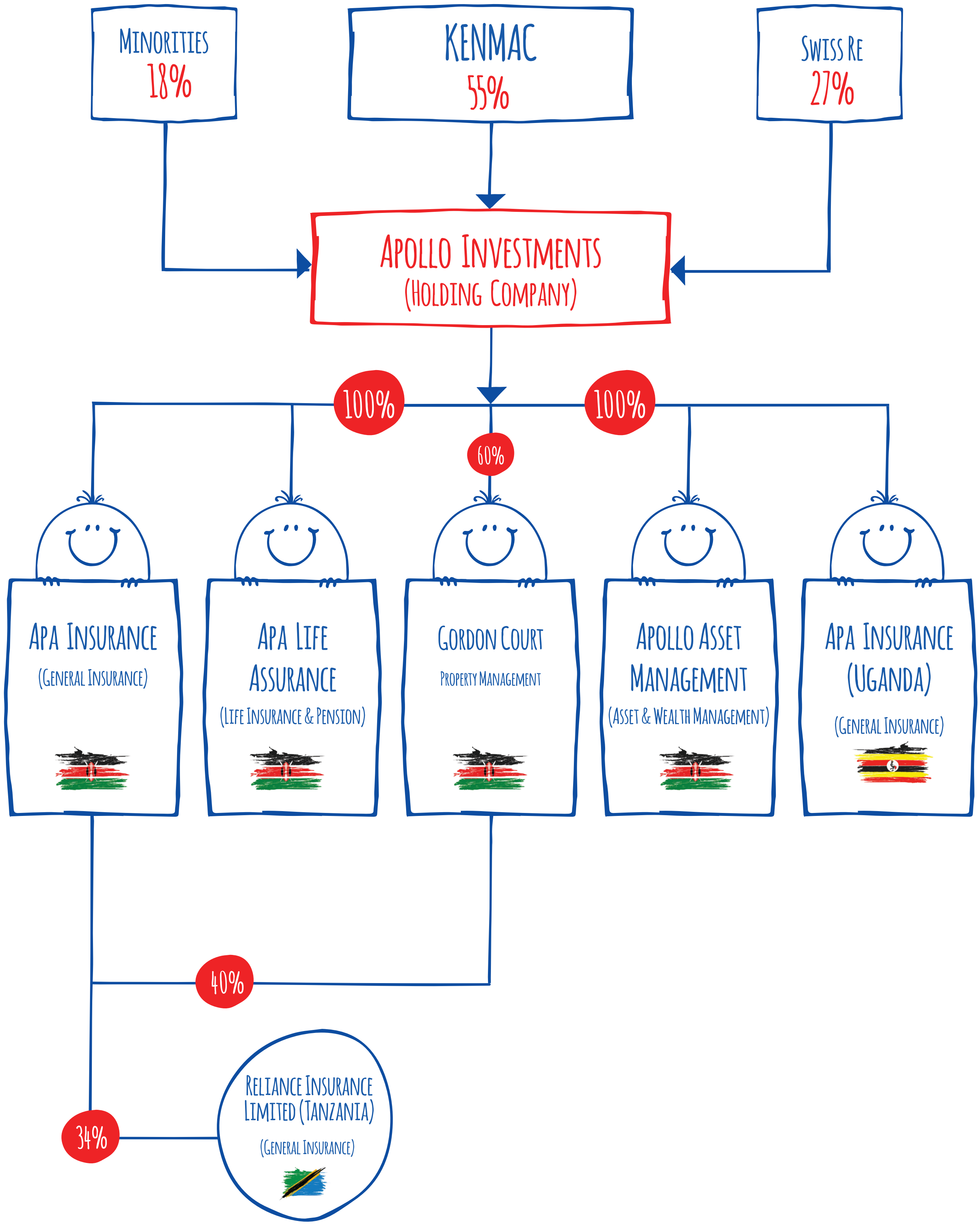
HEAD OFFICE

Apollo Centre, 07 Ring Road Parklands, Westlands

P O Box 30065 - 00100

Nairobi

GROUP STRUCTURE



BOARD OF DIRECTORS

John Piper
Swiss Re
Board Observer

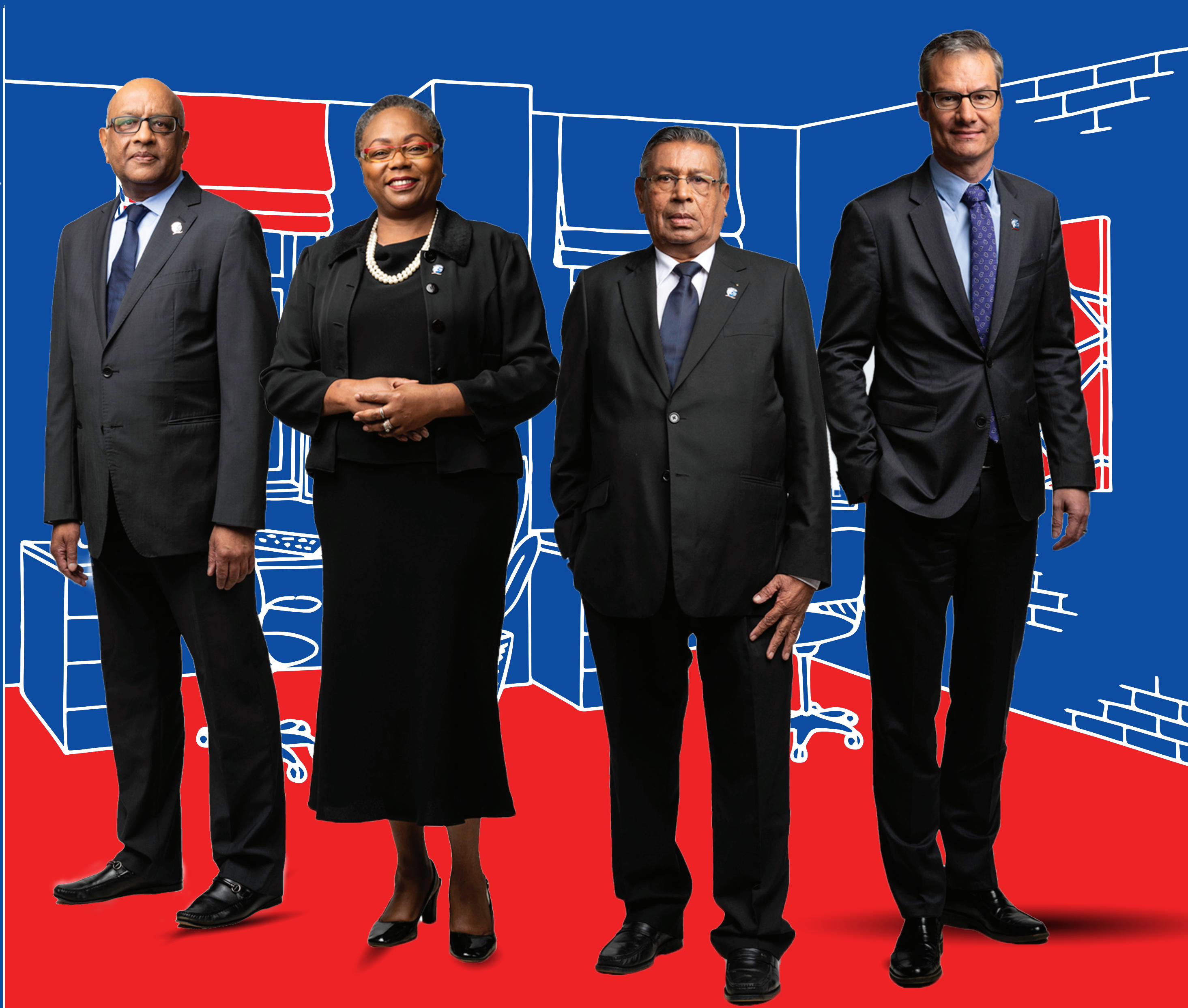
Ashok Shah
Director

Richard Ashley
Director

Daniel Ndonye
Chairman

Pratul Shah
Company Secretary

BOARD OF DIRECTORS *(CONTINUED)*



Piyush Shah
Director

Mary M'Mukindia
Director

Shashi Shah
Director

Reto Schnarwiler
Director

MANAGEMENT TEAM

Vinod Bharatan
Chief Executive Officer

John Kigochi
Chief Finance Officer

Parul Khimasia
Chief Operating Officer

Caroline Kamau
Director of Business Development

Amos Mabuka
Director of Business Development

Shalini Goswami
Head of Health Claims

Manju Naul
Director of Operations

Lucy Kuria
Head of Care Team

Sheila Gichuhi
Head of Health Business Development

Ann Njoki
Reinsurance Manager

MANAGEMENT TEAM *(CONTINUED)*

Keval Shah
Group Chief
Finance Officer

Maria Simiyu
Group Head of
Human Resource

James Nyakomitta
Group Chief Information
Officer

Benjamin Otieno
Group Head of Risk

Judith Bogonko
Group Head
of Customer Service

Grace Nganga
Group Head of Corporate
Communications and Marketing

Dinah Ogulla
Head of Claims
and Legal

INSURING
HAPPINESS

APOLLO GROUP TIME CAPSULE

1946

Pan Africa was founded in Mombasa as 'IndoAfrica' by the Patel Community

1963

IndoAfrica changes its name to Pan Africa, moves to Nairobi and is quoted on the stock exchange

1977

Apollo Insurance is founded in Mombasa by Shashi Shah with Kenmac being the major shareholder

1987

The Insurance Act of 1984 came into effect, mandating immediate and major changes within the Insurance industry

Apollo Improves its governance structure, to meet the Act's requirements

1991-92

Apollo places more emphasis on General Insurance.

1980s

Apollo was the leading company in Life Insurance with its Brand promise as: "Be Apollosure, Insure with Apollo"

Apollo Life business was managed from Mombasa while General Insurance was managed from Nairobi

1981

Apollo establishes its first branch in Nairobi, located at Hughes building 6th floor

Apollo starts looking for support to continue growing and expanding its business

Shashi Insurance Agents start placing business with Apollo

1982

Gordon Court is purchased as a specialist property development company

1996

Ashok Shah, who had thus far been helping on Marketing and other areas is appointed as new CEO

2002

Pan Africa approaches Apollo and starts discussion to consolidate the 2 general insurance businesses

APOLLO GROUP TIME CAPSULE *(CONTINUED)*

2003

APA INSURANCE formed after the merger of the General Insurance businesses of Apollo Insurance Company and Pan Africa Insurance

2004

APA starts trading, the brand promise "A New Dimension in Insurance"

APA settles enormous amounts for all the discharge vouchers issued by Pan Africa before the merger

2006

APA holds its first Power of Alignment retreat and launches new brand promise titled "Rewriting the Rules of Insurance"

For 6 years, APA was the sole provider of HIV cover in health insurance. Others now follow suit...

Gordon Court - commences the construction of Apollo Centre which becomes the Group headquarters

2006-07

APA is a trailblazer again! APA is now the only one to insure old cars and old people up to the age of 75-80

2013

Apollo Life Assurance Ltd rebrands to APA Life Assurance Limited

2014

KES 1.97 Billion claim paid to JKIA in record time of 6 months

Ashok Shah - APA CEO, becomes the 1st recipient of the Life time Achievement award at the Think Business Insurance awards

Leapfrog sells their 27% shares to SwissRe (who has been APA's reinsurer since 1977)

2015

Apollo doubles its number of employees in just 5 years, exceeding the 400 mark

Eva Mukasa appointed as Chairlady APA Uganda Board

2017

Catherine Karimi, becomes the 1st Female CEO of APA Life Assurance

The micro and agri insurance receives a matching grant of $2.5M from MCF to support agricultural businesses

2007 ONWARDS

APA is considered as one of the biggest players in Insurance in Kenya

2009

APA Insurance (Uganda) commences operations as a specialist General Insurance provider in Uganda

2010

Pan Africa decides to sell their shares in APA. Leapfrog invests in Apollo Insurance to help Apollo purchase those shares

Leapfrog also injects money to set up Uganda and a new life & health system

Apollo Insurance transfers its Life Insurance business to Apollo Life Assurance Limited

APA innovates again and pilots Micro Insurance and Agriculture Insurance

Apollo exceeds the 200 employee mark for the first time in its existence

2018

APA actively starts looking at digitization as a key step to position itself amongst the best insurers in the world

Launched the happiness campaign: "Insuring happiness"

Vinod Bharatan wins the CEO of the Year at the Think Business Insurance award

2019

APA starts digital journey with McKinsey's support

APA wins the European microfinance award for strengthening resilience to climate change

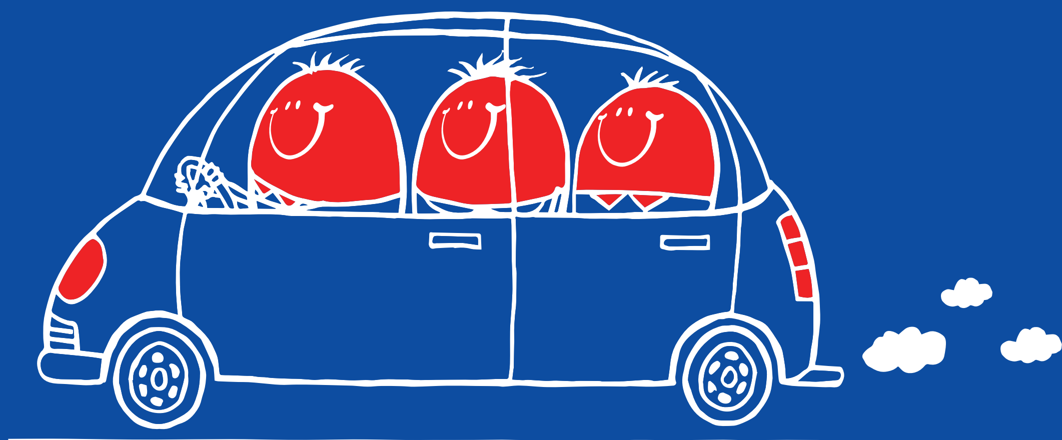
2020

APA launches the hAPPiness App

Annual Travel insurance cover is embedded in existing group life and medical policies

HAPPINESS IS

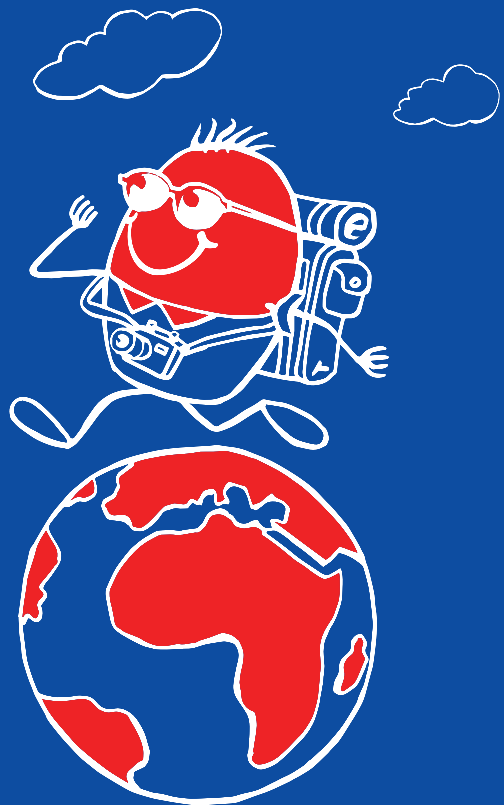
MORE FUN-PACKED ROAD TRIPS AND NO WORRIES



Motor Cover, a personal car policy for Insuring Happiness. Get insured against accidents, theft and third party liability arising from your insured motor vehicle.

Scan and
download the
APA Insurance APP

HAPPINESS IS
EXPLORING THE WORLD WITHOUT A WORRY



Globetrotter Travel Cover works for Insuring Happiness across the globe. Travel with peace of mind, knowing you have assistance whenever needed for up to 180 days after your trip.

CHAIRMAN'S STATEMENT

> *"APA Winner 2019 European Microfinance Award - 'Strengthening Resilience to Climate Change'"*

It's my great pleasure to present the 2019 annual report and financial statements for APA Insurance Limited. The Company continued to perform well despite the various challenges in our operating environment.

ECONOMY AND BUSINESS ENVIRONMENT OVERVIEW

Whist we await final numbers from Kenya National Bureau of Statistics, it is estimated that GDP growth for 2019 decelerated to 5.6% from 6.3% achieved in 2018. During the review year, macroeconomic indicators showed mixed performances but largely pointed to reduced economic activity compared to prior year. The deceleration in growth was mainly on account of depressed growth in most of the sectors of the economy. Growth in the agricultural sector was hampered by notable drop in production of key crops albeit improvement in coffee production & export, cut flowers and milk deliveries. Within the manufacturing sector, growth was constrained by declines in manufacture of sugar and processed tea. Under the non-food subsector, the growth was supported by an expansion in the assembly of motor vehicles in the third quarter of 2019. However, growth in this sub sector was curtailed by notable declines in production of cement and manufacture of galvanized iron sheets. The continuation of the interest rate cap on commercial bank lending rates (until October 2019) prevented the economy from achieving its full potential.

This wider economic stability also helped the local currency maintain its position against the dollar, with the shilling trading at 101.33 to the greenback as of 31 December 2019. Having opened 2018 at 101.81 to the dollar, the shilling managed to avoid the volatility that beset many currencies in developing countries during the past year. The Kenya Shilling has however depreciated to a four and a half year low of 105.70 by mid March 2020 as the impact of global turmoil and lock downs emerging from Coronavirus was felt. The CBK foreign exchange reserves, which currently stand at USD 8,475 million (5.2 months of import cover), continue to provide adequate cover and a buffer against short-term shocks in the foreign exchange market.

STOCK MARKET PERFORMANCE

In 2019, the Nairobi Securities Exchange delivered strong performance with the Nairobi All Share Index (NASI) posting a gain of 18.5% compared to a decline of 18.0% in 2018. The stock market experienced strong growth in the last quarter of the year following presidential assent to the repeal of interest rate caps and thus leading to market positive re-rating of banking and other proxy stocks. Notable gainers in 2019 included Equity Bank (53.5%), KCB (44.2%) and Safaricom (41.9%). Going forward we expect moderate performance in 2020 due to elevated risk of interest rate rise and most investors shifting to money market instruments.

FINANCIAL PERFORMANCE

The Company's premium income registered a strong performance to close at Shs 9.337 billion. This against a backdrop of cut-throat competition and undercutting, was a 2% drop from Shs 9.559 billion in 2018. We lost some accounts due to our requirement that premium must be commensurate to the risk.

The profit before taxation for the year is Shs 898 million from Shs 677 million in 2018, a 33% increase mainly attributed to a stellar investment return in the year and an overall 15.4% return on equity. The capital adequacy ratio stood at a healthy 239% (2018: 212%) well above the statutory requirement of 200% that is to be implemented commencing 30th June 2020. The board has considered the level of retained profits and the need to maintain optimal capital adequacy ratio and recommends a dividend of Shs 700 million (2018: Shs 600 million), a clear testament of the confidence and positive outlook in your Company.

CHAIRMAN'S STATEMENT *(CONTINUED)*

FINANCIAL PERFORMANCE *(CONTINUED)*

The Company's objective is modelled on profitable growth as a sustainable business model and achieving a strong customer obsession in all our activities. This will become a competitive advantage in a very saturated market place. We strongly believe that with peers of the same convictions, APA can lead the way to bring back the old underwriting discipline required to leapfrog the industry to the next level.

INSURANCE SECTOR REGULATORY CHANGES

The amendments to Insurance Act introduced several changes in 2019 with the aim of stirring growth and ensuring stability in the sector. The changes are noble but are fraught with inconsistencies by the players when it comes to implementation and supervision.

The Insurance Act was amended to introduce index based insurance, micro insurance and social insurance schemes. Though the specific regulations on this area have not been fully developed, there exists a huge potential to increase the insurance penetration levels via these channels which remains largely uncharted.

Group-wide supervision has now been introduced empowering the Insurance Regulatory Authority to direct a member of the insurance group to provide information necessary for effective supervision. This is premised on the need to promote the best interest of the policyholder at the behest of the various intra group strategies and operations.

As the year edged to a close and renewal of 2020 licensing for brokers was underway, the Insurance Regulator imposed a firm requirement for underwriters to issue premium settlement clearance letters before a license was issued. This has led to redemption of some unpaid premiums, fast tracking of reconciliations with the brokers, correction of books by both parties etc. We laud these efforts which will in the short run yield positive results and also demand constant engagements between the brokers and the underwriters on matters of premium payment and recording.

Daniel Ndonye
Chairman

CHAIRMAN'S STATEMENT *(CONTINUED)*

APA WINNER 2019 EUROPEAN MICROFINANCE AWARD – *'STRENGTHENING RESILIENCE TO CLIMATE CHANGE'*

During the year, the Company received various awards and accolades, thanks to the unwavering support of our clients and business partners. Indeed, it was quite a humbling moment to be awarded the coveted European Microfinance award on the following criteria "This year's winner, APA Insurance Ltd, is a Kenyan insurance company that provides index-based agriculture insurance to cover yields and livestock, thus providing farmers with a safety net".

Index-based insurance is an innovative approach to insurance whereby payments are linked to easily measured environmental conditions known as an "index" (e.g. the level of rainfall, yields or vegetation levels as measured by satellite) directly connected to the loss of agricultural output. When the index exceeds a particular threshold, farmers automatically receive compensation. In Kenya, where over 75 percent of farmers are smallholders, who are especially vulnerable to the economic impacts of climate change, APA Insurance Ltd currently covers more than 350,000 families whose livelihoods are largely based on agriculture''.

While increasingly unpredictable weather conditions and climate change threaten the already precarious situations in developing countries, Minister Lenert, who chaired the High Jury of the European Microfinance Award, noted that: "This year's Award illustrates that inclusive finance has an essential role to play in strengthening the resilience of vulnerable communities to the effects of climate change, which threaten the livelihoods of disadvantaged communities, especially those relying on agriculture, forestry or fisheries."

Dr Hoyer, President of the European Investment Bank, emphasised that "Climate Change is an existential threat for many nations and communities. How we combat and adapt will shape our future. The three finalists of the European Microfinance Award, and APA Insurance Ltd in particular, are delivering innovative solutions for the financial sector to support vulnerable communities in tackling the effects of climate change."

The above award amongst many others under the Think Business, is a clear testimony of the commitment by our staff and I congratulate the team as they deliver on our mission of putting smiles on the faces of stakeholders. Every day, with these accolades in mind, the bar is raised and the team has to work tirelessly to live up to their expectations.

DIGITAL TRANSFORMATION – ''APOLLO NIRVANA''

The role technology plays in meeting customers' changing wants and needs across generations is critical. The core of being successful in innovation is being successful in technology. After an extensive digital audit across the group, Apollo Nirvana, a digital transformation initiative was successfully launched. The group is building the Digital Factory, that will be our backbone for digital transformation. We have clearly mapped the key initial areas of focus, amongst this being creating the motor app, digitising claims processes end to end while also working on health and other non-motor products.

The ultimate goal is to make the group a leader in the digital space "Insuring Happiness with seamless protection for all customers, at their fingertips" a vision that continues to inspire us daily putting fire in our bellies. We continue to create excitement for the board, management, staff, intermediaries and all stakeholders as they support this ambitious business transformation journey.

REGIONAL PRESENCE

The Apollo Group has operations in Kenya, Uganda and Tanzania with an elaborate branch network for prompt service delivery, truly making the Group an East African focused player. APA has a widespread footprint in Kenya with 30 offices located in major economic hubs. Group synergies continue to be harnessed in order to enlarge the pie and ensure optimal returns to each entity and group. Indeed, the Company's relevance lies in the ability to create long term sustainable value to the stakeholders.

CHAIRMAN'S STATEMENT *(CONTINUED)*

REGIONAL PRESENCE *(CONTINUED)*

In Tanzania, our associate company, Reliance Insurance Company (Tanzania) Limited where we are the largest single shareholder recorded positive results in 2019. The Company recorded a 8.7% premium income increase to Kenya shillings 957 million and a total asset base of Kenya shillings 2.12 billion. The management team continues to be strengthened whilst intermediary relationships are revamped so that the Company's fortunes can flourish.

CORONA VIRUS (COVID-19) PANDEMIC

The world is currently experiencing a significant challenge emanating from the Covid-19 pandemic. Globally and locally, the authorities are attempting to stop the spread of the virus with the introduction of various measures, including complete lockdown of some countries. The Kenya Government has introduced certain economic stimulus proposals to ease the burden on businesses and citizens as a whole. Preliminary measures and business continuity plans to mitigate adverse impact are being activated and will be closely monitored going forward.

OUTLOOK

Looking ahead, stronger growth is expected in 2020 supported by amongst others, the recovery of the agricultural sector due to the recent interventions by the government, stronger growth of micro, small and medium enterprises (MSMEs), robust private sector credit growth, continued implementation of the Big 4 agenda and a stable macroeconomic environment.

The key risks to achieving improved growth include the recent disruptive rainfall and locust invasion in some parts of the country that could lead to post-harvest losses and exert moderate upward pressure on food prices. The optimism on the fight to corruption of yester years seems to have dimmed but remain cautiously optimistic that the political class will continue to support the institutions constitutionally mandated to fight the vice. The stability arising from the handshake and resultant building bridges initiatives (BBI) is slowly turning out to be a threat due to different political interests.

Globally, uncertainties remain elevated mainly due to continuing geopolitical and trade tensions. However, market sentiments were improved by the recent trade agreement between China and the United States, progress in the Brexit process and the positive impact of accommodative monetary policy on growth in the major advanced economies. The risks of increased volatility in the global financial markets remain high and this has also been compounded by the Coronavirus outbreak.

APPRECIATION

On behalf of the Board, I wish to express our deep gratitude to our clients, insurance intermediaries, reinsurers, business partners, suppliers, service providers, shareholders and the regulatory authorities for the business and support throughout the year.

I recognise and appreciate the management and staff of the Company for the loyalty, dedication and hard work that has made these results possible.

Finally, to my fellow directors, thank you for your commitment, support and considered advice that is so essential in this extremely competitive and specialised industry.

DANIEL M. NDONYE
CHAIRMAN

18 MARCH 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT

"It is my pleasure to present the CEO's report for APA Insurance for the year ended 31st December 2019"

INSURANCE INDUSTRY

After the abrupt check on the robust growth of the industry brought about by the general elections of 2017, the industry had high hopes of 2018, only for the optimism to be rudely dashed. A weary industry had then pinned it's hope on 2019, the World Bank projected GDP growth of 5.7%, slightly down from 2018 mainly due to unfavourable weather conditions and reduced government infrastructure spending. While the economy had a slightly lower growth rate, it continued to perform at a steady pace. The shilling remained stable, inflation was within the Central Bank's target band and most sectors registered growth.

The positives failed to have a spill over effect on the insurance industry which failed to pick up steam. As a whole, the industry grew at a paltry 2.8% - General Business grew by 1.8% while Health grew by a modest 4.8%. The continuing subdued private sector investment sentiment and reduced government spending affected new projects. The engineering insurance portfolio registered a negative growth of 4.3%. The government's directive to transport containers through Madaraka Express dealt a blow to the heavy commercial vehicle business. The private sector did not go for much organic growth by way of expansion or upgrades and there was cost cutting across the board which included insurance costs.

Unlike the banking sector which introduced technology long back and piggy backed on it to take banking to the remote corners of the country, the insurance sector lags far behind and has not been very proactive in this area. Distribution and servicing our products are still managed through traditional channels.

COMPANY'S PERFORMANCE

After the robust growth of 15% registered in 2018, when we grew from Shs 8.3 billion to Shs 9.5 billion, 2019 performance has been very disappointing. In a year when most of our peers have shown reasonable growth, we have registered a negative growth of 2%, underwriting a gross premium of Shs 9.337 billion. We recorded very good growth of Shs 2.15 billion in new business but lost out on renewal retention which was only 80% and is to be improved. Another negative factor was our net loss ratio which deteriorated to 70% as against 66.3% in 2018. In spite of these adverse factors, our underwriting profit remained flat at Shs 10.1 million. Our achievements in other key target areas were:

- Net investment income grew to Shs 1,175 million as against Shs 848 million in 2018
- Profit before tax of Shs 898 million from Shs 667 million the previous year
- Shareholder's funds grew from Shs 4.9 billion to Shs 5.1 billion
- ROE went up to 15.4% from 9.4%
- Risk Based Capital improved to 239% from 212% in 2018
- Debtor days showed a marked improvement to 60 days from 71 days the previous year

Though there has been all round improvement in the Company's performance, the decline in topline and increase in loss ratios are a major cause for concern. After a good performance in 2018, the performance of our branches, other than Nairobi and Mombasa, has been very disappointing with all of them operating at combined ratios in excess of 100%. Going forward we will monitor the performance of our branches more closely. On the claims front, motor and medical claims need to be managed more effectively since these two lines of business represent approximately 70% of our total portfolio and this is the area where we are registering losses.

MICRO AND AGRIBUSINESS

APA has been a trailblazer in this area and continues to play a leading role in developing and expanding Micro and Agriculture insurance in Kenya. 2019 proved to be an exceptionally good year with an overall growth of 38% as against a budget of 30%.

CHIEF EXECUTIVE OFFICER'S STATEMENT *(CONTINUED)*

MICRO AND AGRIBUSINESS *(CONTINUED)*

We continue to implement Kenya Agriculture Insurance Program (KAIP) and increased our involvement from 20 to 28 counties under the Government scheme. We booked Shs 270 million premium providing cover to approximately 1.1 million lives – 600,000 under micro insurance and 500,000 lives under agriculture.

The international community has appreciated our engagement in this space and has invited APA to join the Microinsurance network which will put us on the international inclusive insurance map.

TECHNOLOGICAL AND DIGITAL TRANSFORMATION

In 2018, we embarked on Apollo Nirvana – our new digital strategy which will propel us, to become the leading digital player in the market in the next three years. In line with this strategy, in 2019 we set up a digital factory for research and development, to take us on this journey. We will soon be launching our Motor Happiness App which will enable our customers and intermediaries to purchase/renew policies from the comfort of their homes or offices and also to notify claims from the accident spot and seek assistance. The launch of the Motor App will be followed by similar launches for Health and a life product for APA Life, our Group Company.

RECOGNITION AND AWARDS

The highlight of the year was our winning the 10th European Micro Finance Award, an international competition with competitors from many countries in which the three finalists were from Kenya, Brazil and Philippines. Our Group CEO, Ashok Shah was also one of the key speakers at the 15th International Micro Insurance Conference, 2019 hosted by Munich Re Foundation and Micro Insure Network in Dhaka, Bangladesh.

In Kenya, we literally swept the Think Business awards for 2019. The Group scooped 11 awards which included 4 overall winners. For the CEO of the year, I was greatly honoured as the overall winner.

Vinod Bharatan
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S STATEMENT *(CONTINUED)*

CHALLENGES AND OUTLOOK

As I write this report, the Covid-19 pandemic has already hit the world with its tidal wave engulfing the global economies. Kenya, with its economy already struggling, will be hard hit. The pundit's predictions are that in the best case scenario the country's GDP growth will drop to 1% and in the worst case there may be a negative growth of 2-3%. The insurance industry which has been grappling with low growth for the last three years will be adversely affected. All indicators point to a year of negative growth with continuing underwriting losses. The formidable challenges facing the industry will only get exacerbated with this pandemic. There will be a renewed pressure on the rates which are already at unsustainable levels. The outstanding premiums, which had shown a downward trend in 2019, will again start mounting as companies and individuals struggle to meet their obligations. The oil and energy sector which was heralded as a new growth area will be a non-starter now with the collapse of oil prices. Investment income, which was the sole sustenance for the industry in the past couple of years is expected to take a big hit with the stock markets tanking, interest rates going down and reduced cash flows.

The insurance regulator's office played a very proactive role in 2019 trying to bring in greater discipline and cohesiveness in the industry. The stricter implementation of cash & carry law helped to considerably bring down the outstanding premiums of the industry. The directive by IRA for companies to file minimum rates for each class of business, justified by the loss ratios was a welcome step to put an end to reckless underwriting which has pushed the industry to the brink.

By June 2020, the regulator is supposed to fully implement the Risk Based Capital (RBC) regime. At APA, we are keenly looking forward to this to bring in much needed discipline in the market and separate the thoroughbreds from the also-rans in the industry.

Even before the pandemic hit, there was a push back from certain companies to defer the implementation of RBC and post Covid-19, this chorus has grown louder. To protect the industry as a whole and safeguard policyholder's interest, it is imperative that the regulator acts strongly against companies operating below required solvency ratios, and implement RBC as soon as possible.

At APA, we look forward to 2020 with guarded optimism mainly emanating from the effects of COVID-19 both to the global and national economies and more importantly to the entity and household levels. This will undoubtedly leave an indelible mark long after the pandemic but our resilience will be inevitable to bring back normalcy at the earliest.

APPRECIATION

The contribution by APA's stakeholders has ensured our continued strong performance. These includes amongst others the business partners, intermediaries, customers, aggregators and regulators. I would like to thank you for your continued support and loyalty, which have been instrumental in reinforcing APA's position as the financial services provider to reckon with in the Kenyan insurance market.

I also thank all our staff across the country who continue to show dedication and provide superior service to our customers. I would also like to acknowledge with appreciation my colleagues in management and our board of directors for their diligence, guidance and support that has enabled us achieve the results during the year.

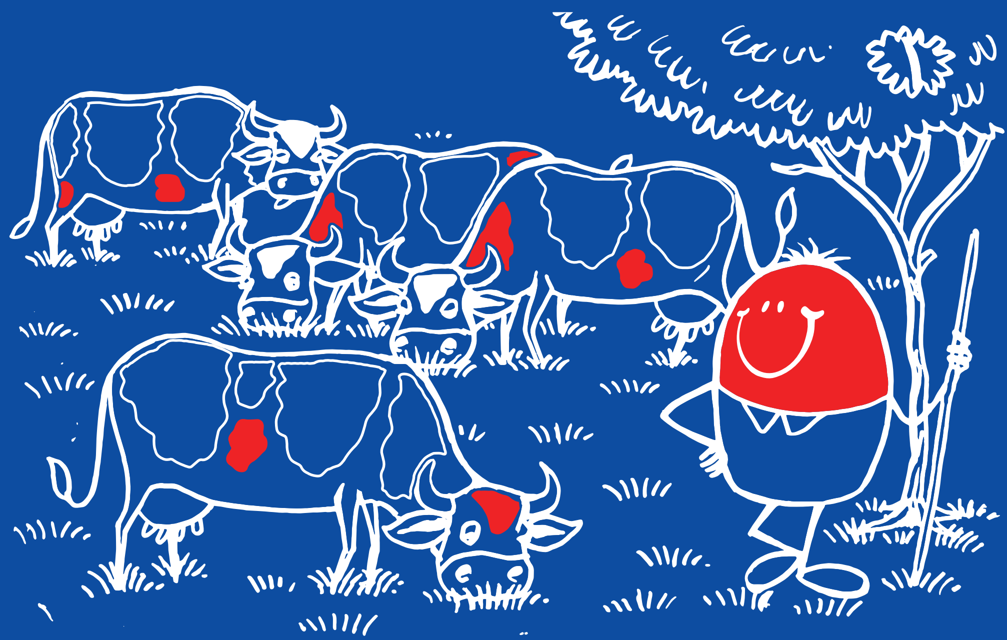
VINOD BHARATAN

CHIEF EXECUTIVE OFFICER

18 MARCH 2020

HAPPINESS IS

TO HAVE CONTROL OVER YOUR LIVELIHOOD

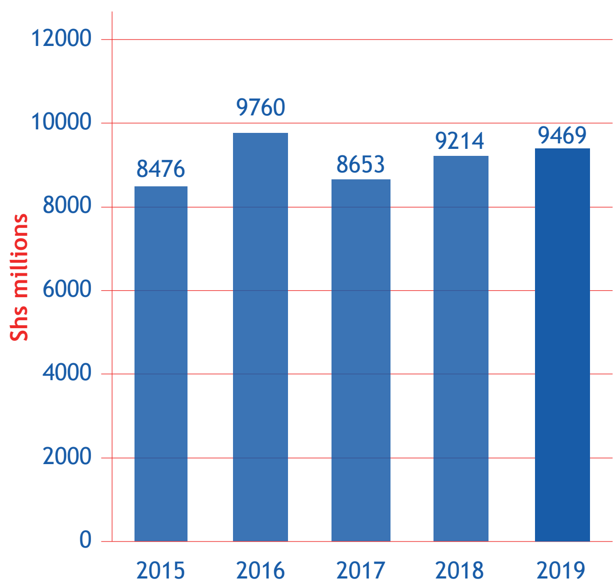


Livestock Cover is designed for domestic animals aged between two months to 10 years. By protecting your source of livelihood, it works towards Insuring Happiness.

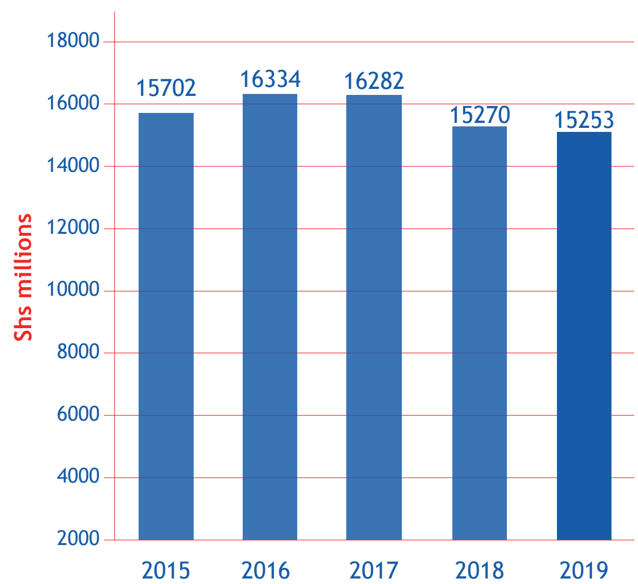
Scan and download the APA Insurance APP

FINANCIAL HIGHLIGHTS

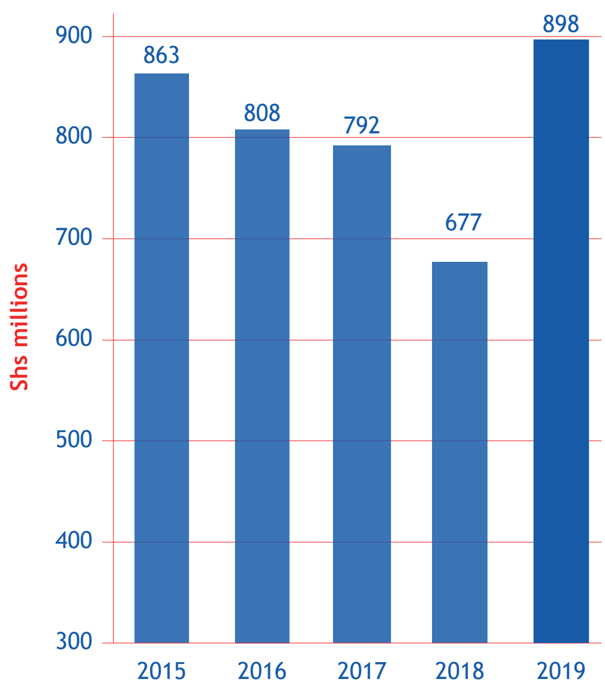
GROSS EARNED PREMIUM



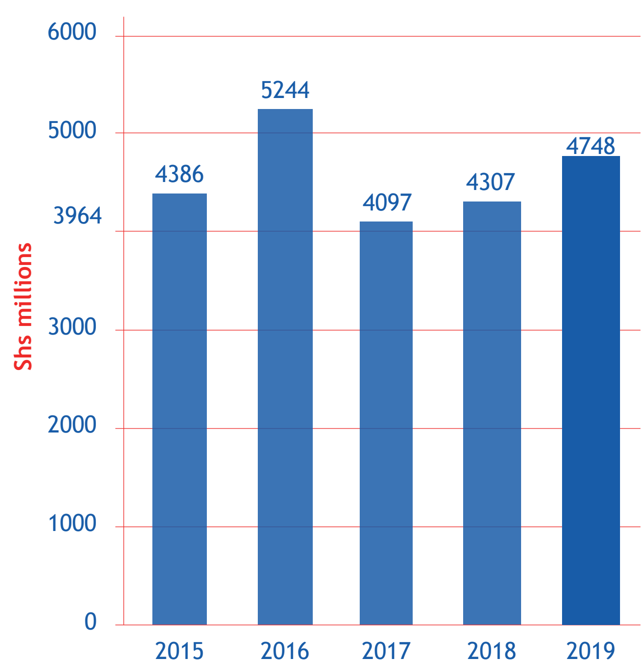
TOTAL ASSETS



PROFIT BEFORE TAX



NET INCURRED CLAIMS



CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Good corporate governance is key to the integrity of corporations, financial institutions and markets and is central to the health of our economies and their stability. Corporate governance plays a leading role in making certain how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

The Board of APA Insurance Limited follows principles of openness, integrity and accountability in its stewardship of the Company's affairs. It recognises the developing nature of corporate governance and assesses the Company's compliance with generally accepted corporate governance practice on a regular basis, directly and through its Board committees and Management. The role of the Board is to ensure conformance by focusing on and providing the Company overall strategic direction and policy-making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The Board is also responsible for the overall system of internal control and for reviewing its effectiveness. The controls are designed to both safeguard the Company's assets and ensure the reliability of financial information.

A senior management team, comprising executive directors, divisional directors and senior managers meets regularly to consider issues of operational and strategic importance to the Company.

Below are the key features of the existing corporate governance practices within the Company which are reviewed and improved on a regular basis:

1. BOARD OF DIRECTORS

The Board of Directors consists of seven directors out of whom three are independent non-executive directors. The Chairman of the Board is a non-executive director and the Board meets formally at least four times a year.

The Board is responsible for setting the direction of the Company through the establishment of strategic objectives, key policies and the approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by executive management and consequent accountability.

The directors are actively involved in and bring strong independent judgement on Board deliberations and discussions. These directors have a wide range of knowledge and experience of local and international markets that is applied to the formulation of strategic objectives and decision making.

All directors have access to the advice and services of the Company Secretary and are entitled to obtain independent professional advice on the Company's affairs.

The Board meets regularly and retains full and effective control over the Company in all strategic, financial, operational and compliance areas. In 2019, four board meetings were held and the attendance by the directors was as follows:

Director	Total board meetings in the year that the director was eligible to attend	Number of board meetings attended
D M Ndonye – Chairman	4	4
A K M Shah	4	4
S M Shah	4	4
R Schnarwiler	4	4
R M Ashley	4	3
P Shah	4	4
M M'Mukindia	3	3

CORPORATE GOVERNANCE STATEMENT *(CONTINUED)*

1. BOARD OF DIRECTORS *(CONTINUED)*

To assist the Board in the discharge of its responsibilities, Board committees have been established. All the Board committees meet at least four times a year. The committees are as follows: -

Audit and Risk Committee

The audit and risk committee comprises four non-executive directors and the executive director. The committee is responsible for, inter alia, developing and advising on audit and financial controls and compliance issues of the Company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management. The current members of the committee are R Schnarwiler (Chairman), P Shah, RM Ashley, D M Ndonye , M'Mukindia and AKM Shah.

Information and Communication Technology (ICT) Committee

The ICT committee comprises one non-executive director, the professional nominated under shareholder's agreement and the executive director. The committee provides guidance to the Board on ICT requirements for the Company, provides assurance that the ICT systems in place are able to generate accurate and timely management reports and also reviews ICT budgets and recommends for their adoption by the Board. The committee also ensures that there are business continuity plans in place for the Company. The current members of the committee are PH Shah (Chairman), P Shah and AKM Shah.

Investment Committee

The Board has an investment committee comprising three non-executive directors, board advisor and the executive director. This committee is responsible for determining the Company's overall investment strategy and monitoring its implementation. The current members of the committee are R M Ashley (Chairman), D M Ndonye, S M Shah, PH Shah and A K M Shah.

Remuneration Committee

The remuneration committee currently consists of three non-executive directors and the Executive Director. Its primary objective is to ensure that the right calibre of management is recruited and retained and set guidelines for remuneration of staff. The non-executive directors on the committee are responsible for agreeing the terms of service in respect of the executive directors.

The committee is also responsible for ensuring that the terms and conditions of service for management and staff is fair, appropriate and reflect the market conditions. The current members of the committee are M'Mukindia (Chairperson), DM Ndonye , R Schnarwiler, PJ Shah and AKM Shah.

2. INTERNAL CONTROLS

The Company has implemented and maintains internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the Company's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through internal audit function, operational meetings and the annual external audit.

3. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION

The related parties' transactions with the group companies during the year ending, 31 December 2019 are detailed under note 38 of these annual report and financial statements.

CORPORATE GOVERNANCE STATEMENT *(CONTINUED)*

3. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION *(CONTINUED)*

The remuneration for non-executive directors consists of fees and sitting allowances for their services in connection with the Board and committee meetings. These fees and allowances are approved by the members at the annual general meetings.

The aggregate amount of director's remuneration for services rendered during the year ending 31 December 2019 are contained under note 38 of these annual report and financial statements.

4. SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES

The Board is conscious of the Company's social and environmental responsibilities. Particular attention is given to projects with a long time positive impact to the society and environment. These include employees' welfare programmes, education and health activities, empowering the youth and provision of clean and safe drinking water. The Company encourages staff to participate and actively supports them in various causes.

5. GOING CONCERN

The directors confirm that the Company has adequate resources to continue in business for the foreseeable future and therefore the continued use of going concern as a basis of preparing the financial statements is appropriate.

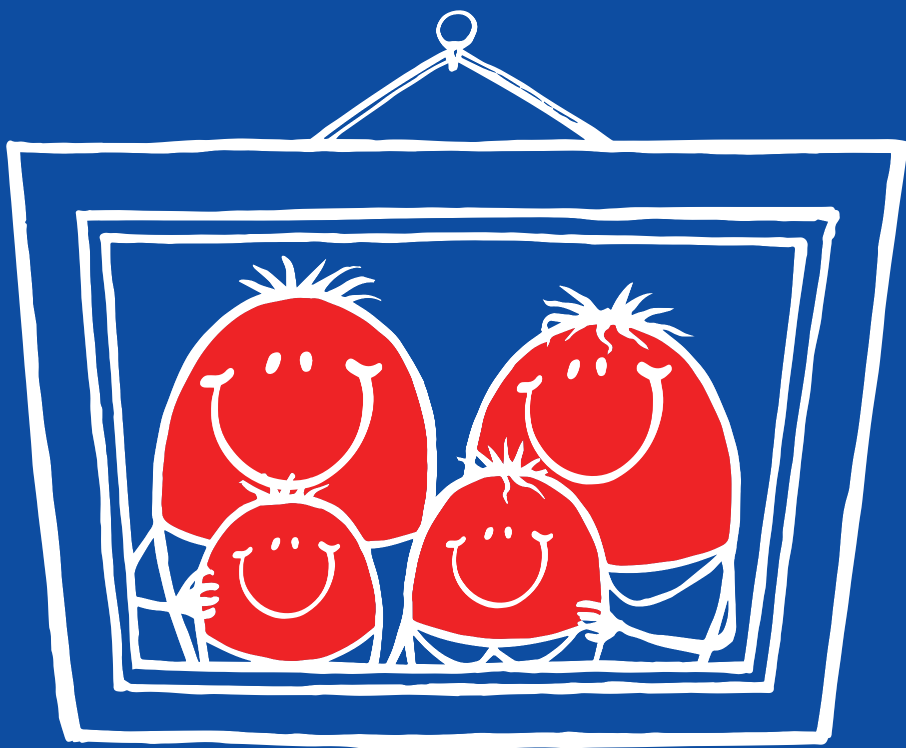
DANIEL M. NDONYE
Chairman

ASHOK SHAH
Director

18 March 2020

HAPPINESS IS

HAVING A HEALTHY FAMILY



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The Sustainable Development Objectives cover different aspects of social development, environmental protection and economic growth,

and these are the ones APA is focusing on:

1 NO POVERTY

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOALS

APA Insurance WINS the 10th European Microfinance Award

in recognition of its response to

"Strengthening Resilience to Climate Change"

At a ceremony held at the European Investment Bank in Luxembourg, Paulette Lenert, Luxembourg Minister for Cooperation and Humanitarian Affairs, (left) and Dr Hoyer, President of the European Investment Bank (right) present the 10th European Microfinance Award to Ashok Shah, Apollo Group CEO (centre)

CORPORATE SOCIAL RESPONSIBILITY

Ashok Shah - Apollo Group CEO during construction of a sand dam to support households.

> *"As an insurance company, we provide essential services to the community"*

We play a role in connecting people with each other, with other communities and key community services. The operation of our services touches on all members of the community with the potential to positively impact on their quality of life. We also operate from a significant number of properties and have a responsibility to those living and working nearby as well as being a significant employer; directly employing 370 staff.

Our relationships with the local communities we serve are therefore very important to us and are an essential part of the growth of our business. When developing our products and services, we have a role to play in improving services for the community as a whole and not just our individual customers.

Our objective remains to support sustainable projects that uplift the standards of communities that we partner with for support.

The Group's corporate social responsibility programs focus on four key pillars:

- Sustainable clean water supply to communities
- Empowering the youth
- Education and health activities
- Environment conservation.

APA APOLLO FOUNDATION

APA Apollo Foundation, previously known as 'Amini Poa Maji Maisha,' is the umbrella trust that is funded by APA Apollo Group and contributes towards the construction of sand dams. The trust has been in existence since 2006 and has constructed 22 sand dams in arid and semi-arid areas of Kenya (Machakos, Makueni and Kajiado)

The strategic goal is to enhance food security for all in society by providing communities in semi-arid areas, accessibility to reliable water supply. This is achieved by the construction of sand dams on dry river beds to harness the water that only flows during rainy seasons. The water is retained in the sand that is deposited behind the dam. An artisan well with a hand pump is provided for easy access by the community. The natural filtration through the sand gives clean drinking water that is used both for agriculture and household.

CORPORATE SOCIAL RESPONSIBILITY *(CONTINUED)*

In 2019, the communities partnered with APA staff members and the Utooni Development Organization; a non-government organisation that specializes in the construction of sand dams and built the two dams that will support these households in the long term.

These dams are located in Imarat, Kajiado and Ikalaasa, Machakos respectively. The Ikalaasa project was a special one as the Khimasia Family partnered with the foundation to fund and build the dam in celebration of their 100 year anniversary in Kenya.

Some of the key objectives that the projects have met include:

- Enhancing water and food security for the communities
- Increasing accessibility to clean water
- Increase in food supply
- Reducing commuting for long distance to fetch water for women and the children
- Ensuring that the community at large is able to participate in other income-generating activities as long hours spent in fetching water have been reduced

YOUTH INITIATIVE PROGRAMMES APA / APOLLO BURSARY FUND

RYSA football team at a recent football match

The APA bursary scheme was created to educate the top achieving boy and girl from Cheleta Primary School and hailing from Githongoro slums in the outskirts of Runda. The bursary fund currently in its 14th year and has 14 students in the bursary program.

Cheleta School's overall performance has greatly improved since the bursary program was introduced with the average score rising to above 50%. This is due to competition amongst the pupils. The bursary caters for secondary education tuition and necessary personal effects.

RECREATION THROUGH SPORTS

APA promotes sporting activities by supporting the Runda Youth Sports Association (RYSA) football team. The sponsorship includes the fees for RYSA to participate in various leagues and provides the football kits, for logistics and team allowances.

The RYSA football team participates in the Nairobi County league which is under the Football Kenya Federation. Overall the team is in sixth place in a league of 13 teams. In addition, APA organizes tournaments for the team in order to boost and continue to nurture the soccer talents and positively engage the youth in Mji wa Huruma and Githongoro villages.

ENVIRONMENT CONSERVATION

APA team at the annual 'Run for Mau' marathon

Our commitment to protecting and conserving the environment is core to our business and it is our objective to plant and maintain at least 1,500 trees every year. In partnership with Egerton University, we have created the Ngongogeri Park and every year we plant 1500 seedlings with our staff and Egerton students. We are also key partners and sponsors in the annual Run for Mau marathon in which we have participated for 6 consecutive years.

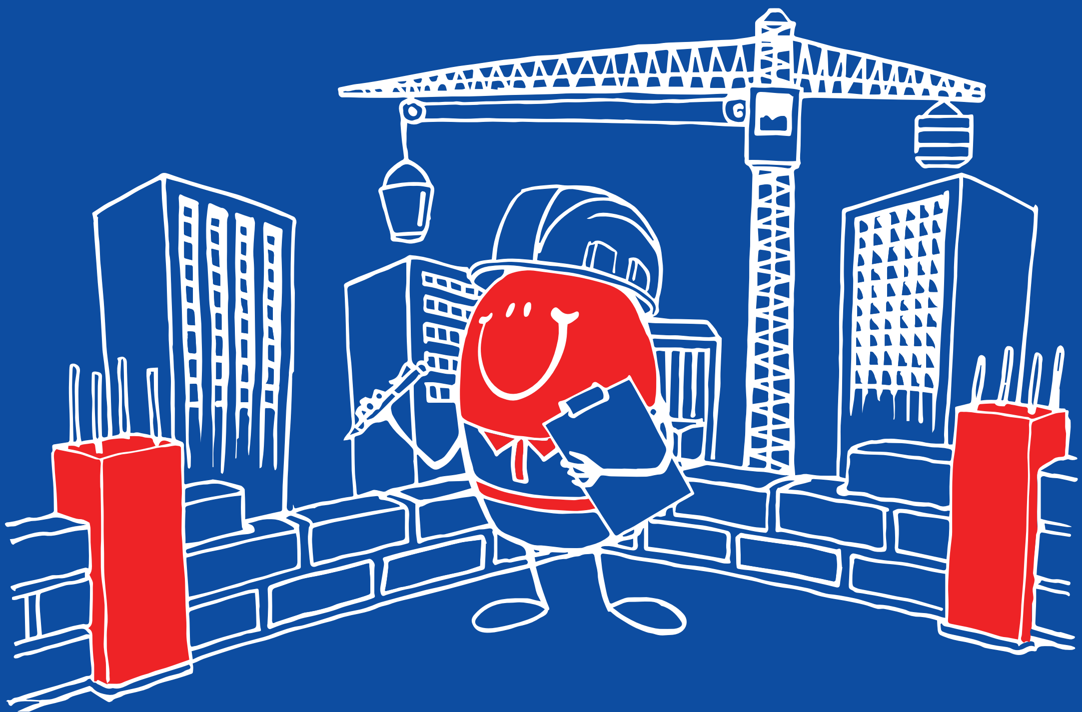
Through the APA Apollo Foundation sand dam projects, we ask the benefiting communities to plant trees along the river beds to help curb soil erosion, provide food as well as beautifying the landscape. A minimum of ten trees is allocated for planting and maintenance to each household that benefits from the sand dam.

We have partnered with "Friends of Karura" and "Greenline Project" to plant trees in both the Karura forest and Nairobi National park in an effort to curb urban encroachment.

Environment conservation has also been embraced at the departmental level by the APA staff through the annual departmental CSR activities.

HAPPINESS IS

IS PUTTING YOUR SAFETY FIRST



APA's Personal Accident Cover is available for anyone between the ages of 15 years to 65 years. It helps you plan for all those unforeseeable future events and works towards Insuring Happiness.

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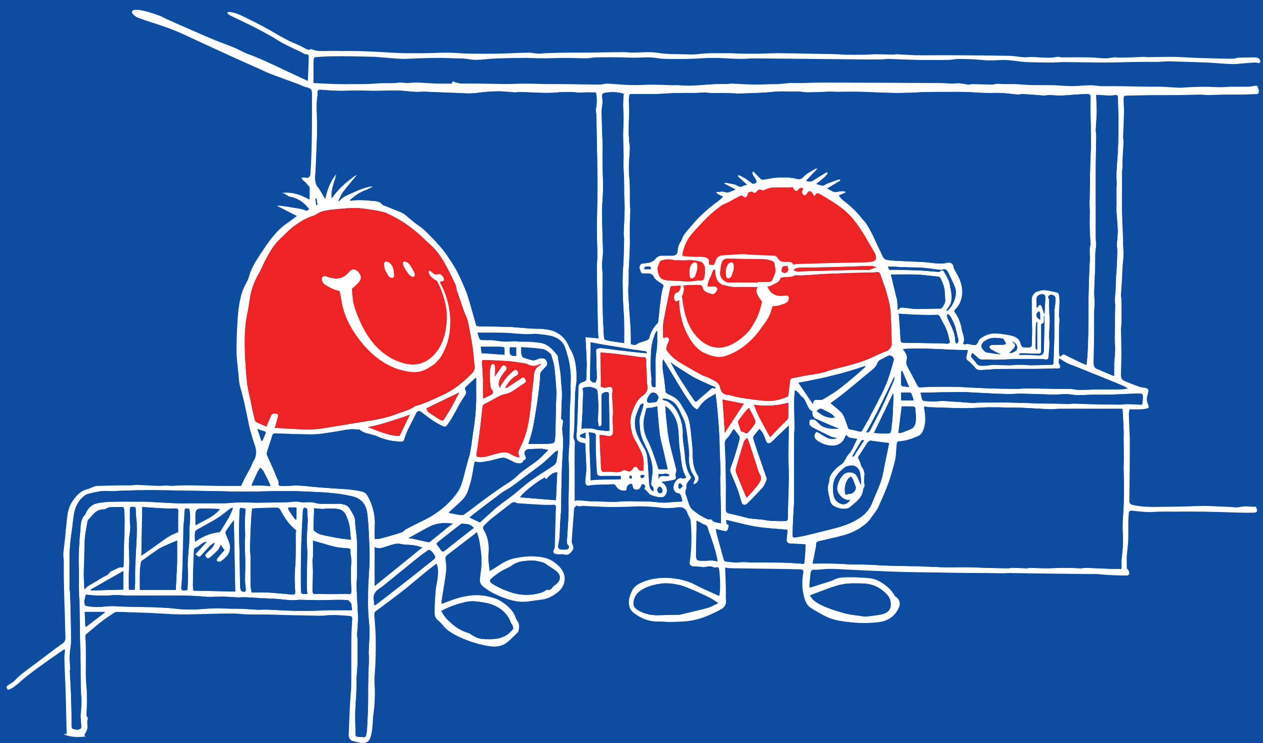
HAPPINESS IS

TO JUST FOCUS ON GETTING BETTER



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In case of hospitalization, you can be assured of the policy
benefits kicking in to pay your bills and Insuring Happiness.

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DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of APA Insurance Limited (the 'Company').

INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act as a private Company limited by shares, and is domiciled in Kenya. The address and the registered office is set out in page 4.

The Company has investments in the following associated companies;

- Reliance Insurance Company (Tanzania) Limited, incorporated in Tanzania as a private company limited by shares and is domiciled in Tanzania
- Gordon Court Limited, incorporated in Kenya as a private company limited by shares and is domiciled in Kenya

BUSINESS REVIEW

The principal activity of the Company is the transaction of general insurance business.

The key risk that the Company faces is insurance risk which arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim.

SUMMARY RESULTS

	2019 Shs' 000	2018 Shs' 000
Gross earned premium	9,468,967	9,214,248
Profit for the year	770,231	510,849
Total comprehensive income attributable to shareholders	775,265	493,420
Return on equity (%)	15.4%	9.4%
Capital adequacy ratio - CAR (%)	239%	212%

DIVIDEND

Profit for the year of Shs 770,231,000 (2018: Shs 510,849,000) has been added to retained earnings.

The directors recommend the payment of Shs 700,000,000 dividend in respect of the year (2018: Shs 600,000,000).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 4.

DISCLOSURE TO AUDITORS

The directors confirm that with respect to each director at the time of approval of this report:

(a) there was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board

SECRETARY

18 March 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2019

The Kenyan Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its financial performance for the year then ended. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act 2015. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 2015. They also accept responsibility for:

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then apply them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances

Having made an assessment of the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 18 March 2020 and signed on its behalf by:

DANIEL M. NDONYE
Chairman

ASHOK SHAH
Director

zamara
Powering Prosperity

REPORT OF THE CONSULTING ACTUARY TO THE SHAREHOLDERS OF APA INSURANCE LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

I have conducted an actuarial valuation of the insurer's insurance liabilities as at 31 December 2019.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Insurance Act, Cap. 487 of the Laws of Kenya. Those principles require that prudent principles for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the insurer's insurance liabilities of the Company were adequate as at 31 December 2019.

NAME OF ACTUARY	**JAMES I. O. OLUBAYI** FELLOW OF THE INSTITUTE OF ACTUARIES (FIA)
SIGNED	18 MARCH 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF APA INSURANCE LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of APA Insurance Limited (the "Company") set out on pages 42 to 88 which comprise the statement of financial position at 31 December 2019 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of APA Insurance Limited at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Determination of insurance contract liabilities As disclosed in note 29 of the financial statements, insurance contract liabilities comprise reported claims and incurred but not reported ("IBNR") claims. We considered claims provisions as a significant area of focus due to: • The estimation of the provisions involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred. • The valuation of these liabilities relies on the accuracy of claims data and the assumption that future claims development will follow a similar pattern to past claims development experience. • Any material changes in the projected claims due to changes in the underlying assumptions and methodology can result in a material impact to the valuation.	Our procedures included the following; • Agreeing a sample of the claims paid to supporting documentation and comparing the claim payments in 2019 to the reserves previously held; • Testing the reasonableness of claims outstanding by comparing the recorded amounts to the latest available information on source documents such as the loss assessor reports; • Performing reconciliations between the claims data used for the audit and that used by the appointed actuary to calculate reserves; • Assessing the appropriateness of the methodology and assumptions used in the estimation of reserves; • Checking the consistency of the reserving methods and assumptions bases year on year; and • Back testing the robustness of the reserving process by performing an actual vs expected analysis on prior years' reserves to assess this for any surpluses or shortfalls.

pwc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF APA INSURANCE LIMITED *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(CONTINUED)*

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

pwc

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF APA INSURANCE LIMITED *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(CONTINUED)*

Auditor's responsibilities for the audit of the financial statements *(Continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

Report of the directors

In our opinion the information given in the report of the directors on page 36 is consistent with the financial statements.

PricewaterhouseCoopers

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

18 MARCH 2020

CPA BERNICE KIMACIA, PRACTISING CERTIFICATE NO. 1457.

SIGNING PARTNER RESPONSIBLE FOR THE INDEPENDENT AUDIT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 Shs'000	2018 Shs'000
Gross written premium		**9,337,232**	**9,558,669**
Gross earned premium	3	9,468,967	9,214,248
Less reinsurance premium ceded		(2,686,018)	(2,715,292)
Net earned premium		6,782,949	6,498,956
Investment income	4	1,162,104	837,343
Commissions earned		546,692	575,379
Other income	5	12,522	11,446
Total income		8,504,267	7,923,124
Net incurred claims	6	(4,748,194)	(4,307,012)
Operating and other expenses	7	(1,810,988)	(1,877,509)
Commissions payable		(1,036,712)	(1,079,514)
Profit from operating activities		908,373	659,089
Share of profits of associates	17(a)	35,411	17,602
Operating profit		943,784	676,691
Finance cost	9	(45,395)	-
Profit before income tax		898,389	676,691
Income tax expense	10(a)	(128,158)	(165,842)
Profit for the year		**770,231**	**510,849**
Other comprehensive income, net of tax:			
Items that may not subsequently be reclassified to profit or loss			
Change in fair value of available for sale financial assets :			
Unquoted equity investments	17(b)	5,547	(9,192)
Items that may subsequently be reclassified to profit or loss			
Share of other comprehensive income of associates	17(a)	403	449
Exchange differences on translation of foreign operations	17(a)	(942)	(9,119)
Deferred tax on other comprehensive income	33	26	433
Other comprehensive gain /(loss) for the year, net of tax		**5,034**	**(17,429)**
Total comprehensive income for the year attributable to the owners of the Company		**775,265**	**493,420**
		Shs	**Shs**
Earnings per share – basic and diluted	11	**61.62**	**40.87**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

ASSETS	Notes	2019 Shs'000	2018 Shs'000
Motor vehicles and equipment	13	76,802	82,953
Intangible assets	14	144,266	47,310
Right-of-use assets	15	315,807	-
Investment properties	16	1,020,000	1,000,000
Investment in associates	17(a)	662,479	627,607
Equity investments - at fair value through other comprehensive income	17(b)	11,062	5,515
Equity investments – at fair value through profit or loss	18	1,392,749	1,076,106
Investments in unit trusts		30,197	27,687
Current income tax	10(c)	49,945	24,058
Deferred income tax	33	441,151	386,428
Loans receivable	19	117,853	108,340
Receivables arising out of reinsurance arrangements		549,045	553,731
Receivables arising out of direct insurance arrangements		447,381	717,274
Reinsurers' share of insurance liabilities and reserves	20	1,802,656	2,081,251
Deferred acquisition costs	21	173,799	172,748
Other receivables	22	48,633	110,494
Government securities – at amortised cost	23(a)	1,147,236	2,327,001
- at fair value through profit or loss	23(b)	5,204,521	3,441,373
Deposits with financial institutions	24	1,319,255	2,015,421
Commercial paper and corporate bonds	25	223,731	327,354
Cash and bank balances	35(b)	74,839	137,714
Total assets		**15,253,407**	**15,270,365**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	1,250,000	1,250,000
Other reserves	27(a)	235,356	229,380
Translation reserve	27(b)	(41,131)	(40,189)
Retained earnings	28	2,933,627	2,863,396
Proposed dividends		700,000	600,000
Total equity		**5,077,852**	**4,902,587**
Liabilities			
Insurance contract liabilities	29(a)	6,032,281	6,492,192
Provision for unearned premium	30	3,307,890	3,439,624
Payables arising from reinsurance arrangements		-	12,332
Lease liabilities	31	346,257	-
Other payables	32	446,766	383,972
Bank overdraft	35(b)	42,361	39,658
Total liabilities		**10,175,555**	**10,367,778**
Total equity and liabilities		**15,253,407**	**15,270,365**

The financial statements on pages 42 to 88 were authorised for issue by the Board of Directors on 18 March 2020 and signed on its behalf by:

Daniel M. Ndonye
Chairman

Ashok Shah
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital Shs'000	Available for sale reserve Shs'000	Trans-lation reserve Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
At 1 January 2018	**1,250,000**	**237,690**	**(31,070)**	**2,952,547**	**1,500,000**	**5,909,167**
Changes in equity 2018:						
Profit for the year	-	-	-	510,849	-	510,849
Other comprehensive income for the year		(8,310)	(9,119)	-	-	(17,429)
Transactions with owners:						
Dividends						
- 2017 final paid dividend	-	-	-	-	(1,500,000)	(1,500,000)
- Proposed final for 2018	-	-	-	(600,000)	600,000	-
At 31 December 2018	**1,250,000**	**229,380**	**(40,189)**	**2,863,396**	**600,000**	**4,902,587**
At 1 January 2019	**1,250,000**	**229,380**	**(40,189)**	**2,863,396**	**600,000**	**4,902,587**
Changes in equity 2019:						
Profit for the year	**-**	**-**	**-**	**770,231**	**-**	**770,231**
Other comprehensive income for the year		5,976	(942)	-	-	5,034
Transactions with owners:						
Dividends						
- 2018 final dividend paid	-	-	-	-	(600,000)	(600,000)
- Proposed final for 2019	-	-	-	(700,000)	700,000	-
At 31 December 2019	**1,250,000**	**235,356**	**(41,131)**	**2,933,627**	**700,000**	**5,077,852**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 Shs '000	2018 Shs '000
Cash flows from operating activities			
Cash generated from operations	35(a)	(26,195)	275,933
Interest received	4	713,385	816,415
Interest paid on lease liabilities	31	45,395	-
Income tax paid	10(c)	(204,415)	(224,615)
Capital gains tax paid	33	(4,327)	(8,030)
Net cash generated from operating activities		523,843	859,703
Cash flows from investing activities			
Purchase of property and equipment	13	(24,591)	(14,461)
Proceeds from sale of property and equipment		-	1,000
Purchase of intangible assets	14	(113,946)	(2,618)
Proceeds from sale of investment properties	16	-	342,747
Purchase of quoted shares	18	(401,170)	(204,906)
Proceeds from sale of quoted shares		340,180	138,511
Loans advanced	19	(41,631)	(10,862)
Loan repayments received	19	31,943	33,260
Net purchase of government securities		(745,423)	1,543,242
Maturity of deposits maturing after 90 days		1,167,203	(1,765,105)
Net redemption/purchase of commercial bonds	25	105,411	31,831
Net cash used in investing activities		317,976	92,639
Cash flows from financing activities			
Payments of principal portion of the lease liability	31	(79,008)	-
Dividends paid	11	(600,000)	(1,500,000)
Net cash used in financing activities		(679,008)	(1,500,000)
Net increase / (decrease) in cash and cash equivalents		162,811	(547,658)
Movement in cash and cash equivalents			
At 1 January	35(b)	599,304	1,146,962
Increase / (decrease)		162,811	(547,658)
At 31 December	35(b)	762,115	599,304

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2019

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1 General information

APA Insurance Limited ("the Company") is in the business of general insurance and is incorporated in Kenya under the Companies Act as a private limited liability company. The Company is domiciled in Kenya and the address of its registered office is disclosed under page 4.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except as further described in the notes below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2(u).

Changes in accounting policy and disclosures

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019.

(i) New and amended standards adopted by the Company

IFRS 16 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged..

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented as under IAS 17. The liability is calculated as the present value of the outstanding rentals discounted using the incremental borrowing rate at the date of transition (1 January 2019). The asset is then set equal to the liability.

The impact of the adoption of IFRS 16 on the Company financial statements at 1 January 2019 is shown below:

ACCOUNTING POLICIES *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(i) New and amended standards adopted by the Company *(Continued)*

IFRS 16 Leases *(Continued)*

Impact on assets and liabilities at 1 Jan 2019	**Shs '000**
Assets	
Right-of-use assets (Note 15)	379,870
Liabilities	
Lease liabilities (Note 31)	379,870

The net impact on retained earnings as at 1st January 2019 was nil.

Impact on profit and loss for the year	
Charge for depreciation for right - of – use assets (Note 15)	(64,063)
Charge for interest on lease liability (Note 31)	(45,395)
Decrease in rental expenses	79,008
Decrease in profit for the year	**30,450**

The Company applied the following standards and interpretations for the first time for their annual reporting period commencing 1 January 2019 and they did not have a significant impact on the financial statements:

IFRIC 23 Uncertainty over income tax treatments

The Interpretation, applicable to annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

Amendments to IFRS 9 titled prepayment features with negative compensation

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

(ii) New and amended standards not adopted by the Company

The following standards and interpretations have been issued but were not mandatory for annual reporting periods ending 31 December 2019:

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: (a) discounted probability-weighted cash flows; (b) an explicit risk adjustment; and (c) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(ii) New and amended standards not adopted by the Company *(Continued)*

IFRS 17 Insurance Contracts *(continued)*

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items.

When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features

The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

The Directors do not plan to apply IFRS 17, until it becomes effective. Based on their assessment of the potential impact of application of the above, IFRS 17 is expected to have a significant impact on the Company's financial statements.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

(b) Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the statement of profit or loss.

ACCOUNTING POLICIES *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(b) Investments in associates (*continued*)

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognised in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognised in the statement of profit or loss.

(c) Income recognition

(i) Premium income

Premium income is recognised on assumption of risks, and includes estimates of premium due but not yet received less an allowance for unearned premium. Unearned premium represents the proportion of the premium written in periods up to the accounting date that relate to the unexpired terms of policies in force at the reporting date, and is calculated using the 1/365th method on written premium.

(ii) Commission income

Commissions receivable are recognised as income in the period in which they are earned.

(iii) Investment income

Investment income is stated net of investment expenses. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends receivable are recognised as income in the period in which the right to receive payment is established. Rental income from operating leases is recognised on a straight line basis over the terms of the leases.

(d) Claims incurred

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years.

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

(e) Reinsurance

The Company assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as income in the same manner as they would be if the reinsurance were considered direct business. Premiums ceded and claims reimbursed are presented on a gross basis in profit and loss and statement of financial position as appropriate.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recognised in the profit or loss.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(f) Receivables arising out of direct insurance arrangements

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in profit or loss.

(g) Deferred acquisition costs

Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force after the year end. A proportion of commission payable is deferred and amortised over the period in which the related premiums are earned.

(h) Motor vehicles and equipment

All items of motor vehicles and equipment are initially recorded at cost and subsequently stated at historical cost less any accumulated depreciation.

Depreciation is calculated on motor vehicles and equipment on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life as follows:

Furniture, fixtures and fittings and office equipment	8 years
Motor vehicles	4 years
Computer equipment	3 years

Assets' residual values and their estimated useful lives are reviewed at the reporting date and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of motor vehicles and equipment are determined by comparing the proceeds with their carrying amounts and are recognised within 'Other gains / (losses)' in the income statement.

(i) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated to write off the cost of intangible assets on a straight line basis over their estimated useful life of 5 years.

(j) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined annually by independent external valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment properties are not subject to depreciation. Changes in their carrying amounts between the reporting dates are dealt with through the profit or loss.

Upon disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss for the year.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(k) Financial assets

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (through other comprehensive income or through profit or loss) and,
- Those to be measured at amortised cost,

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cashflows.

For assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in unquoted equity instruments that are not held for trading, the Company has made an irrevocable election at the time of initial recognition to account for them at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(i) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss.

Equity instruments

The Company subsequently measures quoted equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(k) Financial assets *(continued)*

(iii) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This includes listed equity securities and quoted debt instruments on major exchanges (NSE). The quoted market price used for financial assets held by the Company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example, a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

(iv) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

No impairment loss is recognised on equity investments and financial assets measured at FVTPL.

The Company recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Company will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Company will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- Other financial instruments (other than trade receivables) for which credit risk has not increased significantly since initial recognition.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(k) Financial assets *(continued)*

(iv) Impairment *(continued)*

Loss allowances for receivables arising from insurance arrangements and other receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive;
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

(i) Significant financial difficulty of the issuer or the borrower;

(ii) A breach of contract - e.g. a default or past-due event;

(iii) A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;

(iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

(vi) The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Company follows the simplified approach method.

Definition of default

The Company will consider a financial asset to be in default when:

- The counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The counterparty or borrower is more than 180 days past due on any material credit obligation to the Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company; or
- Based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ACCOUNTING POLICIES *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(k) Financial assets *(continued)*

(iv) Impairment *(continued)*

Measurement of expected credit losses *(continued)*

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of default (PD);
- Loss Given default (LGD); and
- Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company uses the PD tables supplied by S&P based on the default history of obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by mortgage property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

ACCOUNTING POLICIES *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(k) Financial assets *(continued)*

(iv) Impairment *(continued)*

Measurement of ECL (continued)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company uses to derive the default rates of its portfolios. This includes the PDs provided in the S&P default study.

(l) Financial liabilities

In both the current period and prior period, financial liabilities are classified and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire

(m) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

(n) Translation of foreign currencies

The financial statements are presented in Kenya Shillings (Shs) rounded to the nearest thousand, which is the Company's functional and reporting currency. In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(o) Leases

(a) Policy applicable from 1 January 2019

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For any short term leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

ACCOUNTING POLICIES *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(o) Leases *(continued)*

(a) Policy applicable from 1 January 2019 *(continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease and variable lease payments ;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there are any changes in lease terms :

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(o) Leases *(continued)*

(b) Policies applicable prior to 1 January 2019

The Company as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(p) Employee entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense in profit or loss.

(q) Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered fund, which is funded from contributions from both the Company and employees. Contributions are determined by the rules of the scheme. The Company also contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute. The Company's obligations to these schemes are charged to profit or loss as they fall due.

(r) Income tax expense

Income tax expense is the aggregate amount charged /(credited) in respect of current income tax and deferred income tax in determining the profit or loss for the year. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Company the ability to control the reversal of the temporary difference not recognised.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(r) Income tax expense *(continued)*

Deferred income tax *(continued)*

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

(s) Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders

(t) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(u) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the Company's accounting policies are dealt with as follows:

The ultimate liability arising from claims made under insurance contracts

The main assumption underlying techniques applied in the estimation of this liability is that the Company's past claims experience can be used to project future claims development and hence, ultimate claims costs.

As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims' inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(u) Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Measurement of expected credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVPL is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirement for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- Determining the appropriate business models and assessing the “solely payments of principal and interest (SPPI)” requirements for financial assets.

An increase/decrease of 5 percentage points in factors used in computation of ECLs would result in additional/reduction in loss allowance for the period of Shs 4.2 million.

Valuation of investment properties

Estimates are made in determining valuations of investment properties. The management uses experts in determination of the values to adopt. In performing the valuation, the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales. The independent valuers also use the highest and best use principle in determining the value of Investment property. The change in these assumptions could result in a significant change in the carrying value of investment property.

Management monitors the investment property market and economic conditions that may lead to significant change in fair value and conducts a formal and independent property valuation every year and adjusts the recorded fair values accordingly for any significant change.

Determining incremental borrowing rate used in the discounting of lease liabilities

The interest rate implicit in the lease is basically the internal rate of return on all payments or receipts related to the lease in question. For both the lessee and the lessor, the interest rate implicit in the lease is the discount rate at which:

i. The sum of the present value of

  a) the lease payments and

  b) the unguaranteed residual value equals

ii. The sum of

  a) the fair value of the underlying asset and

  b) any initial direct costs of the lessor.

ACCOUNTING POLICIES *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant accounting policies *(continued)*

(u) Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Determining incremental borrowing rate used in the discounting of lease liabilities *(continued)*

The interest rate implicit in the lease depends on the initial fair value of the underlying asset, and the lessor's expectation of the residual value of the asset at the end of the lease. This information is mostly with the lessor.

Lack of information available to the Company, makes it difficult to determine the interest rate implicit in the lease because the Interest rate implicit in the lease is a Company-specific measure – specific to the lessor. Notwithstanding, the Company has adopted an incremental borrowing rate.

The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Given the above factors and that the Company has no recent borrowing experience, an interest assumption based on 4% above the current CBR rate currently at 8.5% has been adopted as its incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Incorporation and registered office

APA Insurance Limited is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is Apollo Centre, 07 Ring Road, Parklands, P. O. Box 30065-00100, Nairobi

2 Risk management objectives and policies

The Company's activities expose it to a variety of risks, including insurance risk, financial risk and credit risk. These risks result in changes in property values, debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The disclosures below summarise the way the Company manages key risks:

2.1 Insurance risk

The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits payable are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits payable will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical, local and type of industry covered.

Short-term insurance contracts

The following table discloses the concentration of short-term insurance risks analysed by the sector in which contract holders operate and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amount of premiums (gross and net of reinsurance) arising from short-term insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.1 Insurance risk *(continued)*

2.1.1 Frequency and severity of claims

Year ended 31 December 2019

		Maximum Insured Loss				
Industry Sector		**0m-10m**	**10m-50m**	**50m-100m**	**Over 200m**	**Total**
		Shs Mn	**Shs Mn**	**Shs Mn**	**Shs Mn**	**Shs Mn**
Manufacturing	Gross	278	67	31	266	642
	Net	261	66	28	114	469
Service	Gross	707	409	220	834	2,170
	Net	691	388	198	429	1,706
Construction	Gross	78	40	17	17	152
	Net	77	39	17	3	136
Governmental	Gross	135	25	12	51	223
	Net	133	24	11	6	174
Others	Gross	1,812	234	124	314	2,484
	Net	1,774	220	102	176	2,272
Total	**Gross**	**3,010**	**775**	**404**	**1,482**	**5,671**
	Net	**2,936**	**737**	**356**	**728**	**4,757**

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

Year ended 31 December 2018

		Maximum Insured Loss				
Industry Sector		**0m-10m**	**10m-50m**	**50m-100m**	**Over 200m**	**Total**
		Shs Mn	**Shs Mn**	**Shs Mn**	**Shs Mn**	**Shs Mn**
Manufacturing	Gross	271	65	30	260	626
	Net	255	64	27	111	457
Service	Gross	690	399	215	814	2,118
	Net	675	379	193	419	1,666
Construction	Gross	76	39	17	17	149
	Net	75	38	17	3	133
Governmental	Gross	132	24	12	50	218
	Net	130	23	11	6	170
Others	Gross	1,769	228	121	307	2,425
	Net	1,732	215	100	172	2,219
Total	**Gross**	**2,938**	**755**	**395**	**1,448**	**5,536**
	Net	**2,867**	**719**	**348**	**711**	**4,645**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.2 Financial risk factors

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Company produces regular reports at portfolio and asset and liability class levels that are circulated to the Company's key management personnel. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The Company does not use hedge accounting. The Company has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework.

(a) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities and deposits with financial institutions. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The Company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the Company's overall exposure to interest rate sensitivities included in the Company's ALM framework and its impact on the Company's profit or loss.

An increase/decrease of 5 percentage points in interest yields would result in additional profit/loss for the period of Shs 401 million (2018: Shs 412 million).

(ii) Price risk

The Company is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets available for sale. Exposures to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

Investment management meetings are held monthly. At these meetings, senior investment managers meet to discuss investment return and concentration of the equity investments. Listed equity securities represent 67% (2018: 63%) of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all the Company's equity investments moving according to the historical correlation with the index, equity would have increased/decreased by Shs 70 million (2018: Shs 54 million).

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.2 Financial risk *(continued)*

(iii) Foreign exchange risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. Currently, management believes that there is minimal risk of significant losses due to exchange rate fluctuations.

(b) Credit risk and expected credit losses

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis.

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- amounts due from government securities
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers;
- cash and deposits held with banks and
- rental receivables
- loans receivables

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or companies of counterparties and to geographical and industry segments. Such risks are subject to regular reviews. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalisation of annual contracts.

In addition, management assesses the credit worthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. The exposure to individual counterparties is also managed through other mechanisms such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs. Exposures to individual policyholders and group's of policyholders are collected within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous group's of policyholders, a financial analysis is carried out by the management.

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.2 Financial risk *(continued)*

(b) Credit risk and expected credit losses *(continued)*

The gross carrying amount of financial assets with exposure to credit risk at the 31st December 2019 was as follows;

	Gross carrying amount Shs '000	Expected credit loss Shs '000	Exposure to credit risk Shs '000
Government securities	6,352,273	(516)	6,351,757
Mortgage loans	76,850	(114)	76,736
Other loans	41,178	(61)	41,117
Insurance receivables	1,561,262	(1,113,881)	447,381
Other Receivables	76,217	(27,584)	48,633
Deposits with financial institutions	1,323,284	(4,029)	1,319,255
Commercial papers and corporate bonds	224,331	(600)	223,731
Total	**9,655,395**	**(1,146,785)**	**8,508,610**

The gross carrying amount of financial assets with exposure to credit risk at the 31st December 2018 was as follows;

	Gross carrying amount Shs '000	Expected credit loss Shs '000	Exposure to credit risk Shs '000
Government securities	5,770,703	(2,329)	5,768,374
Mortgage loans	77,514	(256)	77,258
Other loans	31,094	(12)	31,082
Insurance receivables	1,904,695	(1,187,421)	717,274
Other Receivables	122,093	(12,030)	110,063
Deposits with financial institutions	2,029,316	(13,895)	2,015,421
Commercial papers and corporate bonds	329,742	(2,388)	327,354
Total	**10,265,157**	**(1,218,331)**	**9,046,826**

The impairment analysis of the insurance and reinsurance receivables at 31 December 2019 was as follows;

	Insurance receivables *(Expected credit losses)* Shs '000	Reinsurance receivables *(Incurred loss model)* Shs '000
At 1 January	1,187,421	104,346
Changes arising from loss allowance measure at an amount equal lifetime expected credit losses	111,952	-
Changes because of financial assets that were written off during the year	(185,492)	-
Other	-	52,586
At 31 December	**1,113,881**	**156,932**

The impairment analysis of the insurance and reinsurance receivables at 31 December 2018 was as follows;

	Insurance receivables *(Expected credit losses)* Shs '000	Reinsurance receivables *(Incurred loss model)* Shs '000
At 1 January	1,079,702	104,346
Changes arising from loss allowance measure at an amount equal lifetime expected credit losses	135,216	-
Changes because of financial assets that were written off during the year	(27,497)	-
Other	-	-
At 31 December	**1,187,421**	**104,346**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.2 Financial risk *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limit on the minimum proportion of maturing funds available to meet such calls and to cover anticipated liabilities and unexpected levels of demand.

The table below presents the cash flows arising on key assets and liabilities by their remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities). The amounts disclosed are the contractual undiscounted cash flows.

		Contractual cash flows (undiscounted)			
31 December 2019	**Total Amount**	**No stated Maturity**	**0-1 year**	**1-5 years**	**> 5 years**
Financial assets:	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Debt securities held to maturity:					
- Government bonds and treasury bills-fixed rate	1,879,683	-	375,159	639,188	865,336
- Commercial paper and corporate bonds	223,731	-	61,703	162,028	-
Government bonds – at FVTPL	9,372,728	-	636,286	3,768,576	4,967,866
Quoted equity securities- at FVTPL	1,392,749	1,392,749	-	-	-
Mortgage loans	189,489	-	12,230	56,151	121,108
Other loans	41,178	-	3,158	38,020	-
Insurance and reinsurance receivables	1,047,337	-	498,292	549,045	-
Deposits with financial institutions maturing after 90 days	593,647	-	593,647	-	-
Cash and cash equivalents (Note 35(b))	762,115	-	762,115	-	-
Total	**15,502,657**	**1,392,749**	**2,942,590**	**5,213,008**	**5,954,310**
Short term insurance liabilities:					
Insurance contracts	6,032,281	-	3,177,046	2,432,975	422,260
Less assets arising from reinsurance contracts	(977,520)		(514,692)	(394,259)	(68,569)
Lease liabilities	346,257	-	94,257	252,000	-
Total	**5,401,018**	**-**	**2,756,611**	**2,290,716**	**353,691**
Difference in contractual cash flows	**10,101,639**	**1,392,749**	**185,979**	**2,922,292**	**5,600,619**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.2 Financial risk *(continued)*

(c) Liquidity risk *(continued)*

31 December 2018	Contractual cash flows (undiscounted)				
	Total Amount	No stated Maturity	0-1 year	1-5 years	> 5 years
Financial assets:	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Debt securities held to maturity:					
- Government bonds and treasury bills-fixed rate	2,981,026	-	1,246,097	816,879	918,050
- Commercial paper and corporate bonds	388,367	-	107,109	281,258	-
Government bonds – at FVTPL	6,422,002	-	137,150	791,482	5,493,370
Quoted equity securities- at FVTPL	1,076,106	1,076,106	-	-	-
Mortgage loans	200,388	-	-	643	199,745
Other loans	31,082	-	2,384	28,698	-
Insurance and reinsurance receivables	1,271,005	-	808,994	462,011	-
Deposits with financial institutions maturing after 90 days	1,922,345	-	1,922,345	-	-
Cash and cash equivalents (Note 35(b))	599,304	-	599,304	-	-
Total	**14,891,625**	**1,076,106**	**4,823,383**	**2,380,971**	**6,611,165**
Short term insurance liabilities:					
Insurance contracts	6,492,192	-	3,419,269	2,618,470	454,453
Less assets arising from reinsurance contracts	(1,176,453)	-	(619,607)	(474,494)	(82,352)
Payables arising from reinsurance arrangements	12,332	-	12,332	-	-
Total	**5,328,071**	**-**	**2,811,994**	**2,143,976**	**372,101**
Difference in contractual cash flows	**9,563,554**	**1,076,106**	**2,011,389**	**236,995**	**6,239,064**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.2 Financial risk *(continued)*

(d) Fair value hierarchy

The following table presents the Company's financial assets measured at fair value at 31 December 2019 and 31 December 2018

At 31 December 2019	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Fair value through profit or loss				
- Government securities FVTPL	5,204,521	-	-	5,204,521
- Equity investments FVTPL	1,392,749	-	-	1,392,749
- Investments in unit trusts	-	30,197	-	30,197
Fair value through other comprehensive income				
- Equity investments FVOCI	-	11,062	-	11,062
Total	6,597,270	41,259	-	6,638,529

At 31 December 2018	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Fair value through profit or loss				
- Government securities FVTPL	3,441,373	-	-	3,441,373
- Equity investments FVTPL	1,076,106	-	-	1,076,106
- Investments in unit trusts	-	27,687	-	27,687
Fair value through other comprehensive income				
- Equity investments FVOCI	-	5,515	-	5,515
Total	4,517,479	33,202	-	4,550,681

There were no transfers between levels 1 and 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.2 Financial risk *(continued)*

(d) Fair value hierarchy *(continued)*

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values:

As at 31 December 2019	FVTPL Shs'000	FVOCI Shs'000	Amortised cost Shs'000	Fair values Shs'000
Assets				
Quoted equity securities	1,392,749	-	-	**1,392,749**
Investments in Unquoted equity	-	11,062	-	**11,062**
Investment in unit trusts	30,197	-	-	**30,197**
Investments in Government securities- FVTPL	5,204,521	-	-	**5,204,521**
Investments in Government securities- Amortised cost	-	-	1,147,236	**1,147,236**
Loans receivables	-	-	117,853	**117,853**
Insurance and reinsurance receivables	-	-	996,425	**996,425**
Reinsurer's share of insurance liabilities and reserves	-	-	1,802,656	**1,802,656**
Other receivables	-	-	48,633	**48,633**
Deposits with financial institutions	-	-	1,319,255	**1,319,255**
Commercial paper and bonds	-	-	223,731	**223,731**
Cash and bank balances	-	-	74,839	**74,839**
Total	**6,627,467**	**11,062**	**5,730,628**	**12,369,157**
Liabilities				
Insurance contract liabilities	-	-	6,032,281	**6,032,281**
Other payables	-	-	446,766	**446,766**
Bank overdraft	-	-	42,361	**42,361**
Lease liability			346,257	**346,257**
Total	-	-	6,867,665	**6,867,665**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.2 Financial risk *(continued)*

(d) Fair value hierarchy *(continued)*

As at 31 December 2018	FVTPL Shs'000	FVOCI Shs'000	Amortised cost Shs'000	Fair values Shs'000
Assets				
Quoted equity securities	1,076,106	-	-	**1,076,106**
Investments in Unquoted equity	-	5,515	-	**5,515**
Investment in unit trusts	27,687	-	-	**27,687**
Investments in Government securities- FVTPL	3,441,373	-	-	**3,441,373**
Investments in Government securities- Amortised cost	-	-	2,327,001	**2,327,001**
Loans receivables	-	-	108,340	**108,340**
Insurance and reinsurance receivables	-	-	1,271,005	**1,271,005**
Reinsurer's share of insurance liabilities and reserves	-	-	2,071,079	**2,071,079**
Other receivables	-	-	110,063	**110,063**
Deposits with financial institutions	-	-	2,015,421	**2,015,421**
Commercial paper and bonds		-	327,354	**327,354**
Cash and bank balances	-	-	137,714	**137,714**
Total	**4,545,166**	**5,515**	**8,367,977**	**12,918,658**
Liabilities				
Insurance contract liabilities	-	-	6,492,192	**6,492,192**
Payables from reinsurance arrangements	-	-	12,332	**12,332**
Other payables	-	-	383,972	**383,972**
Bank overdraft	-	-	39,658	**39,658**
Total	-	-	6,928,154	**6,928,154**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Risk management objectives and policies *(continued)*

2.3 Capital management

The Company maintains an efficient capital structure consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities taking account of the risks inherent in the business;
- to maintain financial strength to support business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- to allocate capital efficiently to support growth
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of a target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its equity/debt structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital, all items that are eligible to be treated as such for regulatory purposes.

The Company is regulated by the Insurance Regulatory Authority in Kenya. The new capital requirements (Risk Based Capital) were introduced in the Finance Act, 2015. Insurance companies are required to hold paid up capital the higher of:

- Shs 600 million; or
- risk based capital determined by the Insurance Regulatory Authority (IRA) from time to time; or
- 20% of previous year's net earned premium.

The Company's Capital adequacy ratio position as at 31 December 2019 and 2018 is illustrated below.

	2019	**2018**
	Shs'000	**Shs'000**
Available Capital	4,116,670	4,056,395
Required Capital	1,721,771	1,915,043
Capital Adequacy ratio	**239%**	**212%**
Required Capital Adequacy ratio	**180%**	**180%**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Gross earned premium

The Company underwrites general insurance business only. This has been analysed into several sub-classes of business based on the nature of the assumed risks as shown below:

	2019 Shs'000	2018 Shs'000
Personal accident and Medical	4,035,420	3,945,687
Motor	2,897,058	2,616,375
Fire	847,912	919,869
Workmen's compensation	538,868	626,637
Engineering	168,243	191,460
Theft	225,898	210,232
Marine and transit	224,870	253,085
Liability	135,227	131,154
Other	395,471	319,749
Total	9,468,967	9,214,248

4 Investment income

	2019 Shs'000	2018 Shs'000
Interest from government securities	514,561	659,835
Bank deposit interest	186,477	146,771
Loan interest receivable	12,347	9,808
Rental income from investment properties	45,579	46,541
Dividends receivable from equity investments	54,302	65,151
Realised gain from sale of equity investments at FVTPL	143,250	18,554
Realised gain from sale of government securities at FVTPL	58,085	22,174
Unrealised gain / (loss) on revaluation of financial assets at FVTPL	127,503	(161,491)
Fair value gain on investment properties (Note 16)	20,000	30,000
Total	1,162,104	837,343

5 Other income

	2019 Shs'000	2018 Shs'000
Miscellaneous income	12,522	3,373
Gains/ (loss) on disposal of property and equipment	-	940
Gains / (loss) on disposal of investment properties	-	(253)
Total	12,522	4,060

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Net incurred claims

	2019 Shs'000	2018 Shs'000
Motor	2,620,464	1,809,125
Personal accident and Medical	2,018,107	1,802,264
Fire	51,810	145,306
Engineering	20,574	4,261
Liability	(69,756)	70,082
Marine and transit	37,113	62,661
Theft	71,775	81,228
Workmen's compensation	(110,276)	217,220
Other	108,383	114,865
Total	4,748,194	4,307,012

The Company had 370 employees as at 31 December 2019 (2018:353)

7 Operating and other expenses

	2019 Shs'000	2018 Shs'000
Employee benefits (Note 8)	776,575	735,690
Marketing expenses	280,690	280,983
Advertisement and promotion costs	166,237	188,064
Impairment charge for doubtful receivables	164,538	135,216
Premium levies	87,968	92,826
Auditors' remuneration	6,017	7,052
Directors emoluments - fees	5,755	6,048
- other	77,156	68,725
Depreciation (Note 13)	30,738	29,915
Amortisation (Note 14)	16,990	27,803
Depreciation - Leases (Note 15)	64,063	-
Operating lease rentals - land and buildings	12,641	110,027
Repairs and maintenance expenditure	14,843	13,961
Policyholders compensation fund contributions	23,091	22,907
Printing and stationery	13,379	13,677
Telecommunications expenses	22,730	22,291
Travelling expenses	26,681	28,275
Other	20,896	86,663
Total	1,810,988	1,870,123

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Employee benefits

	2019 Shs'000	2018 Shs'000
The following are included in employee benefits expense:		
- salaries and wages	682,278	645,889
- group life premium	9,830	8,625
- medical expenses	36,228	36,915
- other retirement benefit costs	47,341	43,388
- social security benefit costs	898	873
Total	776,575	735,690

9 Finance costs - Leases

	2019 Shs'000	2018 Shs'000
Interest on lease liabilities (Note 31)	45,395	-

10 Income tax expense

(a) Tax charge	2019 Shs'000	2018 Shs'000
Current income tax	178,528	208,285
Deferred income tax credit (Note 33)	(50,370)	(42,443)
Income tax expense	128,158	165,842

(b) Reconciliation of expected tax based on accounting profit to taxation expense

	2019 Shs'000	2018 Shs'000
Profit before income tax	898,389	676,691
Tax calculated at tax rate of 30% (2018: 30%)	269,517	203,007
Tax effect of income not subject to tax	(266,486)	(126,287)
Tax effect of expenses not tax deductible	126,127	90,622
Deferred tax on fair value gains on investment properties at CGT rate	(1,000)	(1,500)
Tax charge	128,158	165,842

(c) Current income tax

	2019 Shs'000	2018 Shs'000
At 1 January	(24,058)	(7,729)
Current tax charge for the year (Note 10(a))	178,528	208,285
Paid in the year	(204,415)	(224,614)
At 31 December	(49,945)	(24,058)

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year,

	2019 Shs'000	2018 Shs'000
Profit for the year (Shs'000)	770,231	510,849
Weighted average number of ordinary shares in issue (thousands)	12,500	12,500
Earnings per share (Shs) - basic and diluted	**61.62**	**40.87**

12 Dividends

At the annual general meeting to be held in April 2020, a first and final dividend in respect of the year ended 31 December 2019 of Shs 56 (2018: Shs 48) per share amounting to a total of Shs 700,000,000 (2018: Shs 600,000,000) is to be proposed. No interim dividend was paid during the year.

Payment of dividends is subject to withholding tax at the rate of 5% or 10%, depending on the residence of the individual shareholders.

13 Motor vehicles and equipment

	Motor vehicles Shs' 000	Fittings and equipment Shs' 000	Total Shs' 000
Year 2018			
Cost	**20,158**	**281,113**	**301,271**
Additions	-	14,461	14,461
Disposal	(1,850)	(89)	(1,939)
At 31 December 2018	**18,308**	**295,485**	**313,793**
Depreciation			
At 1 January 2018	9,254	193,551	202,805
Charge for the year	4,577	25,338	29,915
Eliminated on disposal	(1,850)	(30)	(1,880)
At 31 December 2018	**11,981**	**218,859**	**230,840**
Net book value			
At 31 December 2018	**6,327**	**76,626**	**82,953**
Year 2019			
Cost	**18,308**	**295,485**	**313,793**
Additions	7,661	16,930	24,591
Disposal	-	-	-
At 31 December 2019	**25,969**	**312,415**	**338,384**
Depreciation			
At 1 January 2019	**11,981**	**218,859**	**230,840**
Charge for the year	6,425	24,317	30,742
At 31 December 2019	**18,406**	**243,176**	**261,582**
Net book value			
At 31 December 2019	**7,563**	**69,239**	**76,802**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Computer software and Intangible assets

	Computer software Shs' 000	Intangible assets Shs' 000	Total Shs' 000
Year 2018			
Cost	**180,242**	**-**	**180,242**
Additions	2,618	-	2,618
At 31 December 2018	**182,860**	**-**	**182,860**
Amortisation			
At 1 January 2018	**107,747**	**-**	**107,747**
Charge for the year	27,803	-	27,803
At 31 December 2018	**135,550**	**-**	**135,550**
Net book value			
At 31 December 2018	**47,310**	**-**	**47,310**
Year 2019			
Cost	**182,860**	**-**	**182,860**
Additions	6,960	106,986	113,946
Disposal	-	-	-
At 31 December 2019	**189,820**	**106,986**	**296,806**
Amortisation			
At 1 January 2019	**135,550**	**-**	**135,550**
Charge for the year	16,990	-	16,990
At 31 December 2019	**152,540**	**-**	**152,540**
Net book value			
At 31 December 2019	**37,280**	**106,986**	**144,266**

15 Right-of-use assets

	2019 Shs'000	2018 Shs'000
As at 1 January	379,870	-
Depreciation		
As at 1 Jan 2019	-	-
Charge for the year	(64,063)	-
As at 31 December 2019	**(64,063)**	**-**
At 31 December	315,807	-

The Company leases office space. The leases of office spaces are typically for a period of 6 years, with an option to renew. The leases contains no restrictions or covenants other than the protective rights of the lessor or carries no residual guarantee.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

16 Investment properties

	2019 Shs'000	2018 Shs'000
At 1 January	1,000,000	1,313,000
Disposals	-	(343,000)
Fair value gain (Note 4)	20,000	30,000
At 31 December	1,020,000	1,000,000

Investment properties were last revalued on 31 December 2019, by Axis Real Estate Limited, independent valuers, on the basis of open market value for existing use.

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 31 December 2019	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Investment property	-	-	1,020,000	1,020,000
At 31 December 2018				
Investment property	-	-	1,000,000	1,000,000

Valuation technique used to derive level 3 fair values

The management uses experts in determination of the values to adopt. In performing the valuation the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Equity investments

(a) Investment in associates	2019 Shs'000	2018 Shs'000
At I January	627,607	618,675
Share of after tax profit	35,411	17,602
Share of investment revaluation reserve, net of tax	403	449
Translation adjustment	(942)	(9,119)
At 31 December	662,479	627,607

This comprises 1,907,400 (2018: 1,907,400) ordinary shares of Tanzania Shillings 1,000 each representing 34% shareholding in Reliance Insurance Company (Tanzania) Limited, an insurance company incorporated in Tanzania and 200,000 (2018: 200,000)ordinary shares of Kenya Shillings 20 each representing 40% shareholding in Gordon Court Limited, a property development company incorporated in Kenya. Both associates have 31 December as their reporting date.

Summarised financial information in respect of the Company's share of results and net assets in the associates is set out below:

	2019 Shs'000	2018 Shs'000
Total assets:		
Reliance Insurance Company (Tanzania) Limited	2,118,665	2,046,715
Gordon Court Limited	1,239,635	1,321,268
Total liabilities:		
Reliance Insurance Company (Tanzania) Limited	1,446,166	1,397,193
Gordon Court Limited	155,057	300,294
Net assets:		
Reliance Insurance Company (Tanzania) Limited	672,499	649,522
Gordon Court Limited	1,084,578	1,020,974
Company's share of net assets of associate:		
Reliance Insurance Company (Tanzania) Limited	228,649	220,837
Gordon Court Limited	433,830	406,770
Total	662,479	627,607
Total revenue:		
Reliance Insurance Company (Tanzania) Limited	956,679	899,410
Gordon Court Limited	141,921	141,268
Profit for the year:		
Reliance Insurance Company (Tanzania) Limited	25,249	(2,721)
Gordon Court Limited	67,067	44,110
Company's share of profit for the year:		
Reliance Insurance Company (Tanzania) Limited	8,585	(42)
Gordon Court Limited	26,826	17,644
Total	35,411	17,602

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Equity investments

(b) Investment in unquoted shares	2019 Shs 000	2018 Shs 000
At 1 January	5,515	14,707
Disposals	-	-
Fair value loss through OCI	5,547	(9,192)
31 December	11,062	5,515

18 Fair value through profit and loss quoted equity investments

	2019 Shs 000	2018 Shs 000
At 1 January	1,076,106	-
Reclassification from Available for sale quoted equity investments	-	1,182,295
Additions	401,170	204,906
Disposals	(196,931)	(119,957)
Fair value gain / (loss)	112,404	(191,138)
At 31 December	1,392,749	1,076,106

19 Loans receivable

	2019 Shs 000	2018 Shs 000
Mortgage loans		
At 1 January	77,258	77,775
Loans advanced	13,473	4,070
Repayments received	(13,613)	(4,331)
Provision for impairment	(114)	(256)
At 31 December	77,004	77,258
Other loans		
At 1 January	31,082	53,231
Loans advanced	28,158	6,792
Repayments received	(18,330)	(28,929)
Provision for impairment	(61)	(12)
At 31 December	40,849	31,082
Total	117,853	108,340

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Loans receivable (continued)

	2019 Shs'000	2018 Shs'000
Summary		
At 1 January	108,340	131,006
Loans advanced	41,631	10,862
Loan repayments	(31,943)	(33,260)
Provision for impairment	(175)	(268)
At 31 December	117,853	108,340
Lending commitments		
Mortgage loans approved by the directors but not disbursed at 31 December	5,400	-

There is no undue concentration of credit risk with respect to mortgage and other loans. Weighted average effective interest rates are disclosed under note 34.

20 Reinsurers' share of insurance liabilities and reserves

	2019 Shs'000	2018 Shs'000
Reinsurers' share of:		
- provision for unearned premiums (Note 30)	820,984	904,797
- notified claims outstanding (Note 29 (b))	711,517	912,028
- claims incurred but not reported (Note 29(b))	270,155	264,426
Total	1,802,656	2,081,251

Amounts due from reinsurers in respect of claims already paid by the Company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Movements in the above reinsurance assets are shown in notes 29 and 30.

21 Deferred acquisition costs

	2019 Shs'000	2018 Shs'000
At 1 January	172,748	139,203
Additions	173,799	172,748
Amortisation for the year	(172,748)	(139,203)
At 31 December	173,799	172,748

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2019

22 Other receivables

	2019 Shs'000	2018 Shs'000
Due from related companies (Note 38(iii)(a))	905	55,412
Staff advances	4,618	25,511
Sundry deposits and prepayments	28,888	26,157
Rental receivables	8,198	11,903
Other receivables	33,608	3,541
Provision for impairment	(27,584)	(12,030)
Total	48,633	110,494

The carrying value of the above receivables approximates their fair values.

23 Government securities

(a) At amortised costs	2019 Shs'000	2018 Shs'000
Treasury bills and bonds at amortised cost maturing:		
Within 90 days	-	237,037
After 90 days but within a year	254,934	927,695
In 1 to 5 years	533,285	669,343
Over 5 years	359,533	495,255
Provision for impairment	(516)	(2,329)
Total	1,147,236	2,327,001

(b) Fair value through profit or loss		
Government treasury and infrastructure bonds:		
At 1 January	3,441,373	-
Reclassified from available for sale	-	4,156,858
Additions	3,113,779	592,430
Maturities during the year	(189,625)	(469,198)
Disposals	(1,176,105)	(866,164)
Fair value gain through profit or loss	15,099	27,447
At 31 December	5,204,521	3,441,373

The treasury bonds include bonds under lien as required by Insurance Act with a carrying value of Shs 852 million (2018: Shs 852 million).

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Deposits with financial institutions

	2019 Shs'000	2018 Shs'000
Deposits maturing: Within 90 days	729,637	264,211
After 90 days but within a year	593,647	1,765,105
After 1 year	76,605	87,750
Provision for impairment	(80,634)	(101,645)
Total	1,319,255	2,015,421

The deposit with financial institutions includes Shs 76.6 Million (2018: Shs 87.75 Million) deposit with Imperial Bank Limited (in receivership). The directors have made full impairment provision for this deposit.

Weighted average effective interest rates are disclosed under note 34.

25 Commercial paper and corporate bonds

	2019 Shs'000	2018 Shs'000
At 1 January	327,354	361,573
Additions	-	36,189
Maturities during the year	(103,023)	(68,020)
Provision for impairment	(600)	(2,388)
At 31 December	223,731	327,354

Weighted average effective interest rates are disclosed under note 34.

26 Share capital

	Number of shares	Share Capital Shs'000
Balance as at 1 January 2018, 31 December 2018 and 31 December 2019	12,500,000	1,250,000

The total authorised number of ordinary shares is 12,500,000 with a par value of Shs 100 per share. All issued shares are fully paid.

27 Reserves

(a) Other reserves

Other reserves represent net surpluses /(deficits) that arise on the revaluation of financial assets carried through other comprehensive income. This reserve is non-distributable. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit and loss.

Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit and loss.

The movement in this reserve is shown in the statement of changes in equity.

(b) Translation reserve

The translation reserve relates to translation gains and losses arising from translating the financial statements of the foreign operation in Tanzania.

The movement in this reserve is shown in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

28 Retained earnings

The retained earnings balance represents the amount available for distribution to the shareholders of the Company, with the exception of cumulative fair value gains on the Company's investment properties amounting to Shs 765,825,000 (2018: Shs 745,825,000) whose distribution is subject to restrictions imposed by legislation.

29 (a) Insurance contract liabilities

	2019 Shs'000	2018 Shs'000
Short term non – life insurance contracts		
- claims reported and claims handling expenses	4,495,634	5,123,320
- provision for claims incurred but not reported	1,536,647	1,368,872
Total	6,032,281	6,492,192

(b) Movements in insurance contract liabilities and reinsurance assets

	2019 Gross	2019 Re-insurance	2019 Net	2018 Gross	2018 Re-insurance	2018 Net
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At 1 January:						
Notified claims	5,123,320	912,027	4,211,293	5,430,823	946,839	4,483,984
Incurred but not reported	1,368,872	264,426	1,104,446	1,223,247	178,386	1,044,861
Total at 1 January	6,492,192	1,176,453	5,315,739	6,654,070	1,125,225	5,528,845
Cash paid for claims settled in year	(6,858,025)	(1,844,700)	(5,013,325)	(6,542,346)	(2,021,806)	(4,520,540)
Increase in liabilities:						
-arising from current year claims	6,310,664	1,570,971	4,739,693	6,331,608	2,508,267	3,823,341
-arising from prior year claims	87,450	78,949	8,501	48,860	(435,233)	484,093
Total increase in liabilities	6,398,114	1,649,920	4,748,194	6,380,468	2,073,034	4,307,434
Change in outstanding claims	(459,911)	(194,780)	(265,131)	(161,878)	51,228	(213,106)
Total at 31 December	6,032,281	981,673	5,050,608	6,492,192	1,176,453	5,315,739
Notified claims	4,495,634	711,517	3,784,117	5,123,320	912,027	4,211,293
Incurred but not reported	1,536,647	270,156	1,266,491	1,368,872	264,426	1,104,446
Total at 31 December	6,032,281	981,673	5,050,608	6,492,192	1,176,453	5,315,739

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

30 Provision for unearned premium and unexpired risk reserve

The provision for unearned premium represents the liability for short term business contracts where the Company's obligations have not expired at the year end.

Movements in the reserves are shown below:

	Gross Shs'000	Re-insurance Shs'000	2019 Shs'000	Gross Shs'000	Re-insurance Shs'000	2018 Shs'000
At 1 January	3,439,624	904,797	2,534,827	3,095,204	976,815	2,118,389
Increase / (Decrease)	(131,734)	(83,813)	(47,921)	344,420	(72,018)	416,438
At 31 December	3,307,890	820,984	2,486,906	3,439,624	904,797	2,534,827

The Company uses 1/365th method of calculating the unearned premium reserve. The 2019 reserve includes a net provision for unexpired risk reserve of Shs 86,910,000 (2018: Shs 54,795,000)

31 Lease liabilities

	2019 Shs'000	2018 Shs'000
1 January	379,870	-
Lease payments	(79,008)	-
Interest on lease (Note 9)	45,395	-
Balance at 31 December	346,257	-
Maturity analysis		
Year 1	86,894	-
Year 2	92,005	-
Year 3	97,745	-
Year 4	103,632	-
Year 5	110,231	-

The lease liability is calculated as the present value of the outstanding rentals discounted using the incremental borrowing rate at the date of transition (1 January 2019). The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's financial function.

32 Other payables

		2019 Shs'000	2018 Shs'000
Due to related companies	(Note 38(iii)(b))	4,745	3,854
Accrued expenses		126,235	133,885
Rental deposits		24,325	24,800
Other liabilities		291,461	221,433
Total		446,766	383,972

33 Deferred income tax

Deferred income tax is calculated using the enacted capital gains tax rate of 5% for investments property and available for sale cumulative reserves and 30% for the assets (2018: 30%). Deferred tax assets and liabilities, and the deferred tax charge / (credit) in the statement of profit or loss (P/L) and in other comprehensive income (OCI) are attributable to the following items:

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

33 Deferred income tax *(continued)*

	2019 Shs'000	2018 Shs'000
At 1 January	(386,428)	(295,483)
Impairment adjustment at 1 Jan 2018	-	(40,039)
Credit to profit or loss (Note 10(a))	(32,399)	(42,443)
Credit to other comprehensive income	(26)	(433)
Capital gains tax paid	(4,327)	(8,030)
Accrued costs	(17,971)	-
At 31 December	(441,151)	(386,428)

Year ended 31st December 2019	**At 1 Jan 2019**	**(Credited)/ charged to P/L**	**(Credited)/ Charged to OCI**	**Capital gains tax paid**	**At 31 Dec 2019**
Deferred income tax asset	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Property and equipment on historical cost basis	842	186	-	-	1,028
Provision for impairment	(402,168)	(36,929)	-	-	(439,097)
Impairment provision for fixed deposit	(26,325)	3,344	-	-	(22,981)
Accrued costs	-	(17,971)	-	-	(17,971)
Sub-total	(427,651)	(51,370)	-	-	(479,021)
Deferred income tax liability					
Available for sale investments	(572)	-	(26)	-	(598)
Investment property	41,795	1,000	-	(4,327)	38,468
Sub-total	**41,223**	**1,000**	**(26)**	**(4,327)**	**37,870**
Net deferred tax asset	**(386,428)**	**(50,370)**	**(26)**	**(4,327)**	**(441,151)**

Year ended 31st December 2018	**At 1 Jan 2018**	**Impairment adjustment as at 1 Jan 2018**	**(Credited)/ charged to P/L**	**(Credited)/ Charged to OCI**	**Capital gains tax paid**	**At 31 Dec 2018**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Deferred income tax asset				-		
Property and equipment on historical cost basis	1,405		(563)	-	-	842
Provision for doubtful debts	(318,749)	(40,039)	(43,380)	-	-	(402,168)
Impairment provision for fixed deposit	(26,325)	-	-	-	-	(26,325)
Sub-total	(343,669)	(40,039)	(43,943)		-	(427,651)
Deferred income tax liability						
Available for sale investments	(139)	-	-	(433)	-	(572)
Investment property	48,325	-	1,500	-	(8,030)	41,795
Sub-total	48,186		1,500	(433)	(8,030)	41,223
Net deferred tax asset	**(295,483)**	**(40,039)**	**(42,443)**	**(433)**	**(8,030)**	**(386,428)**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

34 Weighted average effective interest rates

The following table summarises the weighted average effective interest rate at 31 December on the principal interest-bearing investments:

	2019 %	2018 %
Mortgage loans	10	10
Government securities	12	12
Deposits with financial institutions	10	10
Commercial bonds	13	13
Other loans	10	10

35 Notes to the statement of cash flows

(a) Cash generated from operations	2019 Shs'000	2018 Shs'000
Reconciliation of profit before tax to cash generated from operations;		
Profit before income tax	898,389	676,691
Adjustments for:		
Interest income	(713,385)	(816,414)
Loss on sale of investment property	-	253
Depreciation – Motor vehicles and equipment(Note 13)	30,742	29,915
Amortisation of intangible assets (Note 14)	16,990	27,803
Depreciation – Right – of- use assets (Note 15)	64,063	-
(Gain) / loss on disposal of property and equipment (Note 5)	-	(940)
(Gain) / Loss on sale of financial assets (Note 4)	(201,335)	(40,728)
Unrealised loss on revaluation of financial assets at FVTPL(Note 4)	(127,503)	161,491
Gain in fair value of investment property (Note 16)	(20,000)	(30,000)
Expected credit loss charge	(41,997)	(7,386)
Impairment of financial assets	-	(107,195)
Share of profits from associates (Note 17(a))	(35,411)	(17,602)
(Loss) before working capital changes	(129,447)	(124,112)
Changes in working capital:		
- technical provisions	(313,050)	203,331
- trade and other payables	396,719	(122,454)
- trade and other receivables	19,583	319,168
Cash generated from operations	(26,195)	275,933

(b) For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019	2018
Cash and bank balances	74,839	137,714
Deposits with financial institutions maturing within 3 months (Note 24)	729,637	264,211
Treasury bills and bonds maturing within 3 months (Note 23(a))	-	237,037
Bank overdraft	(42,361)	(39,658)
Total	762,115	599,304

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

36 Contingent liabilities

In common with the insurance industry in general, the Company is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that the outstanding litigation in this respect will not have a material effect on the financial position or profits of the Company.

The Company is aware that Kenya Revenue Authority (KRA) has made claims on the players in insurance industry in respect of certain taxes, which have been subject of intense negotiations between all the stakeholders. Based on the available information including expert opinions received and ongoing stakeholder discussions, the directors are of the opinion that there still exists uncertainty as regards some of the taxes and accordingly no provision has been made for these taxes until the matter is clarified or fully concluded.

The Company has issued financial guarantees against counter indemnities from third parties for an aggregate outstanding exposure of Shs 64,995,715 as at 31 December 2019 (2018: Shs. 40,161,444). No loss is expected to arise on these guarantees.

37 Commitments

Capital commitments

Capital commitments at the end of the year for which no provision has been made in these financial statements are as follows:

	2019 Shs'000	2018 Shs'000
Authorised and contracted for	49,417	9,000
Authorised but not contracted for	66,783	69,100
Total	116,200	78,100

Lease commitments

The future minimum lease payments under non-cancellable leases are as follows:	2019 Shs 000	2018 Shs 000
Not later than 1 year	86,894	114,254
Later than 1 year and not later than 5 years	403,613	322,447
Later than 5 years	-	1,141

38 Related parties

The Company is controlled by Apollo Investments Limited, a company incorporated in Kenya which owns 100% of the Company's shares.

In the normal course of business, insurance policies are sold to related parties. Transaction with related parties during the year and related outstanding balances are disclosed below:

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

38 Related parties(continued)

	2019 Shs'000	2018 Shs'000
(i) Insurance business transacted with related parties		
Gross written premium:		
- Parent company	2,869	2,306
- Other related parties	4,042	1,775
Total	6,911	4,081
(ii) Mortgage loans advanced to staff	76,850	77,258

	2019 Shs'000	2018 Shs'000
(iii) Outstanding balances with related parties		
Due from related parties (Note 22)		
APA Life Assurance Limited	601	537
Reliance Insurance Company (Tanzania) Limited	185	75
Gordon Court Limited	-	54,800
APA Insurance (Uganda) Limited	119	-
Total (Note 22)	905	55,412

Due to related parties (Note 32)

	2019 Shs'000	2018 Shs'000
Apollo Asset Management Company Limited	(4,745)	(1,437)
APA Insurance (Uganda) Limited	-	(2,417)
Total (Note 32)	(4,745)	(3,854)

(iv) Directors' and key management remuneration	2019 Shs'000	2018 Shs'000
Directors' fees	5,755	6,048
Directors' other remuneration	77,156	68,725
Remuneration to key management personnel (included in staff costs (Note 8))	168,787	178,026
Total	251,698	252,799

39 Subsequent events

The world is currently experiencing a significant challenge emanating from the Covid-19 pandemic. Globally and locally, the authorities are attempting to stop the spread of the virus with the introduction of various measures, including complete lockdown of some countries. The Kenya Government has introduced certain economic stimulus proposals to ease the burden on business and citizens as a whole. At Company level, we are following the developments, particularly the impact on staff, business, customers and all other stakeholders. Preliminary measures and business continuity plans to mitigate adverse impact are being activated and will be closely monitored and the Company will continually assess them on an ongoing basis and adopt changes as events unfold.

The directors note that the effects of COVID-19 pandemic will impact the Company's business and financial results in 2020 but the full impact is yet to be ascertained.

SUPPLEMENTARY INFORMATION

Underwriting Revenue Account
For the year ended 31 December 2019

Class of Insurance Business	Aviation Shs'000	Engineering Shs'000	Fire Domestic Shs'000	Fire Industrial Shs'000	Liability Shs'000	Marine & Transit Shs'000	Motor Private Shs'000	Motor Commercial Shs'000	Medical Shs'000	Personal Accident Shs'000	Theft Shs'000	Workmen's Compen-Sation Shs'000	Micro insurance Shs'000	Miscellaneous Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Gross premium written	23,956	159,547	80,511	760,265	136,681	193,581	1,516,307	1,483,578	3,690,218	179,413	219,264	519,507	270,003	104,401	9,337,232	9,558,669
Change in gross UPR	7,535	8,697	(750)	7,886	(1,454)	31,289	(82,993)	(19,835)	165,372	417	6,634	19,361	(2,713)	(7,713)	131,733	(344,421)
Gross earned premium	31,491	168,244	79,761	768,151	135,227	224,870	1,433,314	1,463,743	3,855,590	179,830	225,898	538,868	267,290	96,688	9,468,965	9,214,248
Less: reinsurance payable	(30,964)	(117,460)	(24,262)	(567,165)	(62,085)	(56,528)	(21,964)	(24,480)	(1,551,451)	(3,497)	(29,717)	(27,666)	(157,198)	(11,581)	(2,686,018)	(2,715,292)
Net earned premium	527	50,784	55,499	200,986	73,142	168,342	1,411,350	1,439,263	2,304,139	176,333	196,181	511,202	110,092	85,107	6,782,947	6,498,956
Gross claims paid	-	84,688	29,053	289,521	74,266	161,339	1,217,022	1,223,385	3,126,963	88,262	261,071	164,662	195,611	4,323	6,920,167	6,542,346
Change in gross outstanding claims	1,573	(40,473)	5,732	(311,013)	(62,686)	(45,493)	182,584	76,050	169,562	(72,363)	(90,326)	(272,943)	(10,156)	10,039	(459,911)	(161,878)
Less: Reinsurance recoverable	(1,475)	(23,641)	(2,052)	40,569	(81,336)	(78,733)	(41,045)	(37,532)	(1,283,543)	(10,774)	(98,970)	(1,995)	(87,237)	(4,295)	(1,712,059)	(2,073,458)
Net incurred claims	98	20,574	32,733	19,077	(69,756)	37,113	1,358,561	1,261,903	2,012,982	5,125	71,775	(110,276)	98,218	10,067	4,748,194	4,307,010
Commissions receivable	(2,214)	(32,753)	(4,882)	(130,665)	(6,458)	(17,957)	(1,105)	(738)	(309,662)	(175)	(1,054)	(1,330)	(37,316)	(384)	(546,692)	(575,379)
Commissions payable	(927)	30,541	15,104	137,375	16,067	32,491	139,567	145,746	330,851	36,968	21,620	105,404	18,351	7,555	1,036,713	1.079,514
Expenses of management	2,029	30,146	15,221	143,690	25,831	36,592	294,046	287,017	453,920	33,700	41,434	100,248	51,044	19,736	1,534,654	1,677,193
Total expenses and commissions	(1,112)	27,934	25,443	150,400	35,440	51,126	432,508	432,025	475,109	70,493	62,000	204,322	32,079	26,907	2,024,674	2,181,328
Underwriting profit / (loss)	1,541	2,276	(2,677)	31,509	107,458	80,103	(379,719)	(254,665)	(183,952)	100,715	62,406	417,156	(20,205)	48,133	10,079	10,618

Key ratios	%	%
Loss ratio (net claims incurred/net earned premium)	**70.00**	**66.27**
Commissions ratio (commissions payable/gross written premium)	**11.10**	**11.29**
Expense ratio (management expenses/gross written premium)	**16.43**	**17.54**

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